NOVACYT

Global leaders in the fight against infectious diseases

Novacyt Annual Report and Accounts for the year ended 31 December 2022

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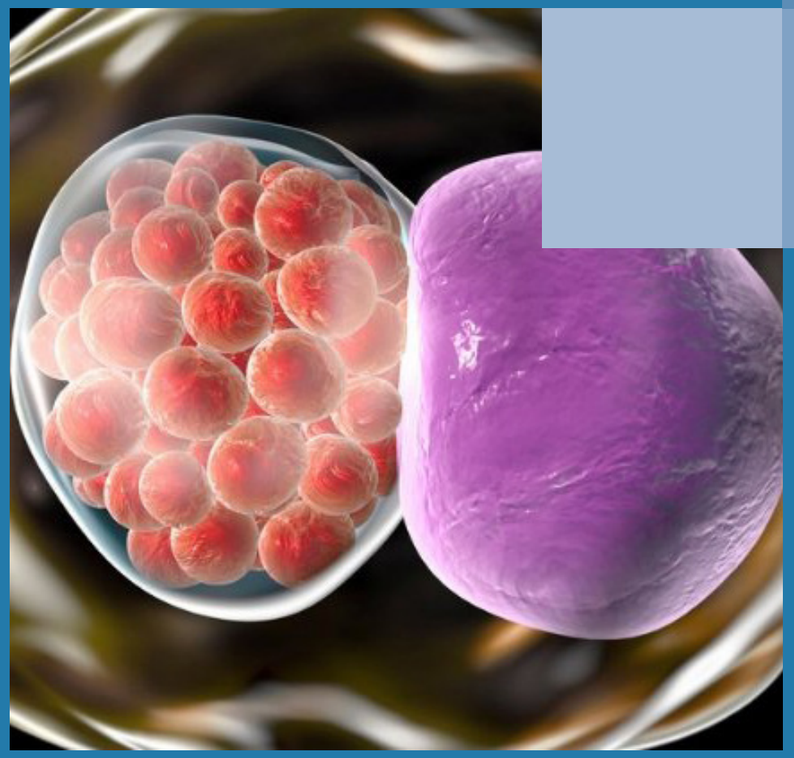
Business Overview



Novacyt is a diagnostics solution provider, manufacturing diagnostic and pathogen testing kits based on molecular and protein technologies sold into human clinical, life science, food and industrial markets.

Our purpose

We protect lives from invisible threats by providing actionable health information in the right place, at the right time

Our vision

Global leaders in the fight against infectious diseases

Novacyt Key Strengths

01 Clinical Diagnostics

The molecular diagnostics market is made up of an ever-increasing breadth of different healthcare provider models that requires diagnostics to guide treatment decisions. Our goal is to improve access to insights that guide treatment decisions, with particular focus on infectious diseases, by providing precise and accurate data and information at the right place at the right time. We do this by partnering with public and private laboratories as well as commercial partners to provide clinical diagnostic testing workflows, which historically included qPCR instrumentation and high-quality qPCR reagents but are being expanded to introduce solutions for automated liquid handling and automated nucleic extraction systems and associated kits.

The most recent addition to our Primer Design™ range of clinical assays is genesig™ SARS-CoV-2 Winterplex. The assay is a multiplex for the detection of all strains of Influenza A, Influenza B, RSV and three separate SARS-CoV-2 (COVID-19) targets.

Differentiation between these infections is key to the clinical management strategy of patients with acute respiratory illness[1]. The Company's genesig™ SARS-CoV-2 Winterplex testing has been received well in UK and European markets, receiving top rated performance assessment scores, and growing our business in hospital triage environments.

02 Life Sciences

We have a passion for patient-centric solutions that advance the science behind diagnostics. This fuels our drive to deliver high-quality and reliable reagents and instruments for the Life Sciences market. We continue to add to our comprehensive range of qPCR assays (1200+), developed in combination with our high-performance qPCR instrument offering, to enable personalised solutions customised to meet the needs of Life Sciences research across veterinary, animal health, food protection and adulteration, human pathogen and many more market sectors. Our dedicated team of technical and field support specialists continue to provide round-the-clock support to our customers to ensure they achieve success in their fields through instrument servicing and repair, software updates, and technical advice and documentation to support training, use and quality requirements.

03 Global First Responder

As a pioneer in clinical diagnostics, Novacyt has a proven history of responding quickly to changing global health needs and key outbreaks worldwide, including testing solutions for Zika, Swine Flu, and Ebola viruses. Solidifying this position, Novacyt was among the first to respond to the COVID-19 pandemic in 2020, providing a rapid and reliable gold standard SARS-CoV-2 test kit that the received WHO approval. Our streamlined research and development (R&D) pipelines and commitment to better innovation to meet patients' needs have enabled us to respond quickly to global outbreaks, achieving accurate identification and detection with our proprietary molecular and protein detection technologies.

2022 saw also Novacyt granted a UK patent for the design of the ORF1ab assay for COVID detection.

04 Instruments

As a global leader in qPCR innovation, our UK manufacturing site has been delivering gold standard real-time PCR instrumentations for decades. The genesig™ q and MyGo series of qPCR instruments empower our customers to take real-time PCR tests out of the laboratory, with portable options to run the instrument on 12 Volt vehicle outlets. Our qPCR instruments are designed to offer mobility, versatility, and speed to meet any testing needs. The capability to operate multiple units at once enables efficient and cost-saving operations.

Most recently the q16 and q32 instruments have been successfully registered as IVD devices allowing diagnostic testing on the platforms. This development has been supported by a successful external audit of the instrumentation manufacturing site.

In addition, the next generation of q32 instruments offer flagship level optical and thermal performance to enable higher multiplex assays currently being developed by the company.

05 Bioinformatics Surveillance

Global tracking of virus mutations enables our R&D team to quickly identify development opportunities, particularly in relation to viruses and their mutations that can result in outbreaks detrimental to healthcare systems and global supply chains including food production. Our in-house bioinformatics surveillance group worked within a global network of virologists to track the SARS-CoV-2 variants to identify the mutations expected to pose the most significant challenges to healthcare and vaccine efficacy during the pandemic, and has more recently supported development of new MPox (previously monkeypox) and updated H5N1 Flu assays.

06 World-class R&D Team

The expertise in our research and development team encompasses all aspects of our customer journey. Our team have a deep scientific understanding in designing and developing quantitative real-time polymerase chain reaction (qPCR) assays. Additionally, we understand that the test itself is not the only part of the story and that the supporting workflow drives quality in results. To this end our instrumentation and software teams support our wide breadth of scientific, medical, industrial and veterinary users to answer questions that support their work around the globe by delivering results they can rely on.

Our R&D strategy ensures continual surveillance of our current portfolio to ensure our offerings are relevant in a changing genetic landscape. Additionally, our new product development and validation ensures we advance our proprietary technology platforms and drive manufacturing process improvement across Novacyt. With an in-house clinical and validation team, our R&D can leverage insights and data to progress cutting-edge technology designs to meet the diagnostic needs of our customers and their patients. By collaborating as part of a UK-based manufacturing network we retain the ability to closely control all forms of development and product quality that our customers demand.

Seamless links between R&D and manufacturing teams support our successes. For our assay portfolio, the bioinformatics core-function identifies optimal sequences for incorporation into final assay designs and once placed on the market are subject to continuous ongoing surveillance, such that redesigns can be applied when necessary. Once assay design phases are completed, applied research combines the bioinformatics design with their breadth of reagent chemistry knowledge to realise finalised product prototypes, that are passed to an analytical validation team with core expertise in validation of research use and diagnostic product specifications using clinical materials. Completing this chain of development is a team that maintain our products post-launch, supporting any requirements for technical investigations, as well as providing expert technical support for end-users and business development opportunities.

1 https://www.covid19treatmentguidelines.nih.gov/special-populations/influenza/

Group at a Glance – Transitioning Beyond COVID-19

01 Post-COVID-19 Assay Development

- Development of genesig™ PLEX Gastrointestinal Bacterial Real-Time PCR Multiplex Kit
- Developed and relaunched two single analyte transplant viral assay panels for the Epstein-Barr virus and BK virus
- Added over 40 CE IVD assays, through a 3rd party distribution agreement
- Launched and UK CTDA approval of genesig™ Real-time PCR SARS-CoV-2 Winterplex panel covering RSV, Flu A&B and COVID-19
- Re-launched RUO portfolio globally and developed Monkeypox and Adenovirus F41 RUO assays

02 Workflow and Instrumentation Development

- Launched and CE marked an automated liquid handling system (CO-Prep™) and validated a nucleic acid extraction system to enhance post-COVID-19 integrated sample-to-result molecular workflow solution
- Launched new lateral flow test (LFT) readers

03 COVID-19 Assay Development

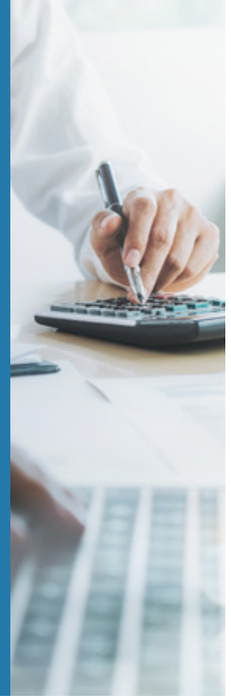
- Six UK CTDA approvals in the year taking the total number of Novacyt products approved by the CTDA to seven, the most of any UK-based company
- CE marked two lyophilised PROmate™ products
- CE marked PathFlow™ COVID-19 Rapid Antigen Self-Test, one of the first saliva-based COVID-19 assays to be launched in the EEA

04 Geographic Expansion

- Commercialised Winterplex panel with sales to hospitals in both the UK and Europe
- Partnering with salmon farming in North America to develop solutions for testing infectious salmon anaemia virus and bacterial kidney disease
- Signed a contract with a leading global non-governmental organisation (NGO) to support the detection of arboviruses, including dengue, Zika and Chikungunya
- Partnering with a leading Health care company in India to supply both reagents and instrumentation

05 Financial Highlights

- Group revenue for FY2022 was £21.0m, in line with guidance, compared to £92.6m[1] for FY2021, due to the expected decline in COVID-19 related sales
- Revenue from COVID-19 products in 2022 totalled £14.7m (FY2021: £84.0m[1])
- Revenue for the non-COVID-19 portfolio in 2022 totalled £6.3m (FY2021: £8.6m[1]). As previously announced, this decline was predominantly driven by lower instrument sales compared to FY2021 which benefited from COVID-19 demand
- Group gross profit totalled £5.7m (27%) in FY2022 (FY2021: £28.2m (30%)). The FY2022 gross profit was reduced as a result of significant stock provisions based on lower forecasted COVID-19 sales in addition to writing off stock that had not been provided for previously. Excluding the impact of these items, the margin would be in excess of 60%
- Group EBITDA loss in FY2022 is £13.5m before exceptional items (FY2021: £3.1m[1] profit) as a result of the expected decline in revenue and in line with guidance
- Discontinued operations loss of £3.5m in FY2022 (FY2021: £3.7m loss)
- Loss after tax increased to £25.7m in FY2022 (FY2021: £9.7m loss)
- Cash position at 31 December 2022 was £87.0m (2021: £101.7m) and the Company remains debt free



[1] In accordance with IFRS 5, the net result of the Lab21 Products business has been reported on a separate line "loss from discontinued operations" in the consolidated income statement for 2021 and 2022.

Strategic Report

James Wakefield
Chairman, Novacyt S.A.

"The Company intends to continue to focus on its core strengths of in-vitro diagnostic product and instrumentation development and commercialisation by driving value from its Primer Design and IT-IS businesses. We intend to continue to grow both organically and through selective acquisition."

Chairman's Statement

In my report last year, I said that we were predicting a significant reduction in the demand for COVID-19 tests, but that it would be extremely difficult to predict exactly what the requirements and the rate of fall off in demand would be. We took the view that the most prudent measure was to plan for a rapid reduction and to assume that we needed to diversify away from almost all COVID-19 products and seek to service a wider geographic area with a broader range of related products. This turned out to be exactly what happened with regular testing in different industries reducing significantly, with the film industry being one of the last sectors to continue with testing throughout 2022 and only stopping as a matter of course during H1 2023.

The Group has re-focused on its core activities of RUO and clinical diagnostics in conjunction with its instrumentation manufacture and distribution. A core skill of our highly experienced staff is identifying new trends in the market at an early stage, being extremely nimble and developing new tests rapidly as a particular disease outbreak occurs. Our R&D team has a very strong reputation in the market for developing tests very quickly due to their significant skills and commitment combined with the Group's willingness and ability to adapt to ever-changing situations and priorities. We are continuing to develop new products in our test portfolio and to develop new derivatives of existing tests. In parallel, a number of other longer term R&D projects are ongoing to ensure that we retain a leading edge in our product portfolio development.

On behalf of the Board, I would like to acknowledge the efforts of David Allmond during the short period he was with us as CEO, when a significant drop in revenue was inevitable post COVID-19. I would also like to particularly thank James McCarthy for his efforts since stepping into the position of acting CEO. In addition, there have been a number of other changes within the executive management team as we have responded to the post COVID-19 era by making necessary cost reductions.

We remain committed and focused on becoming a leading global clinical diagnostics company in the fight against infectious diseases as we build towards the next phase of growth. We will continue to make a significant contribution to global health, whilst seeking to continually deliver value to our Shareholders. We are investing in non-COVID-19 product development to tackle high unmet needs and bolster our business development efforts, with a clear strategic focus.

Novacyt has a track record of speed and agility in delivering critical products, as demonstrated in its response to the COVID-19 pandemic, and previous outbreaks including Zika, H1N1 (Swine Flu), and Ebola.

During the 2022 period under review, we generated revenues of £21 million. The Company remains debt free with a cash position at 31 December 2022 of over £80 million. We are delighted to be working with Allegra Finance as our French listing sponsor and SP Angel Corporate Finance LLP as our Nominated Advisor/ Broker; Numis continues to act as our joint broker.

Following a detailed review of the Lab21 and Microgen businesses at the start of 2022, the decision was taken to close both businesses and consolidate operations at Primer Design in Southampton, Hampshire and ITIS in Stokesley, North Yorkshire. The Company intends to continue to focus on its core strengths of in-vitro diagnostic product and instrumentation development and commercialisation by driving value from its Primer Design and IT-IS businesses. We intend to continue to grow both organically and through selective acquisition.

We are not proposing to pay a dividend for the financial year ended 2022. The future dividend policy will be reviewed on an annual basis as part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business or future acquisitions to maximise Shareholder value, taking into account the prevailing financial conditions in the markets in which the business operates.

The Company is listed on two stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all our stakeholders.

Finally, I would like to take this opportunity of thanking you, the Shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business.

James Wakefield
Chairman

Shaping the Future with the Right Portfolio

With a heritage of diagnostic testing in the food and veterinary industries for the Life Sciences and Clinical Diagnostics areas, Novacyt will continue to develop into a global leader in the fight against infectious diseases. The COVID-19 pandemic has carved out a new segment for simple, scalable molecular diagnostics in decentralised settings with a targeted multi-panel approach.

Scalable decentralised testing

Before the pandemic, molecular testing was primarily confined to medium to large-size laboratories with high-output instruments. However, there has been a shift towards acute, decentralised settings where syndromic testing is being adopted. To address this trend, Novacyt has committed to providing versatile solutions for decentralised testing, including a range of innovative products and technologies such as mobile processing laboratories (VersaLab™ MPL), lab-in-a-box products (VersaLab™ Portable), small-scale automated liquid handling systems (CO-Prep™), and a user-friendly direct-to-PCR platform (PROmate™). The company's goal is to make molecular diagnostics accessible to everyone, everywhere, and to provide accurate and reliable test results even in decentralised settings.

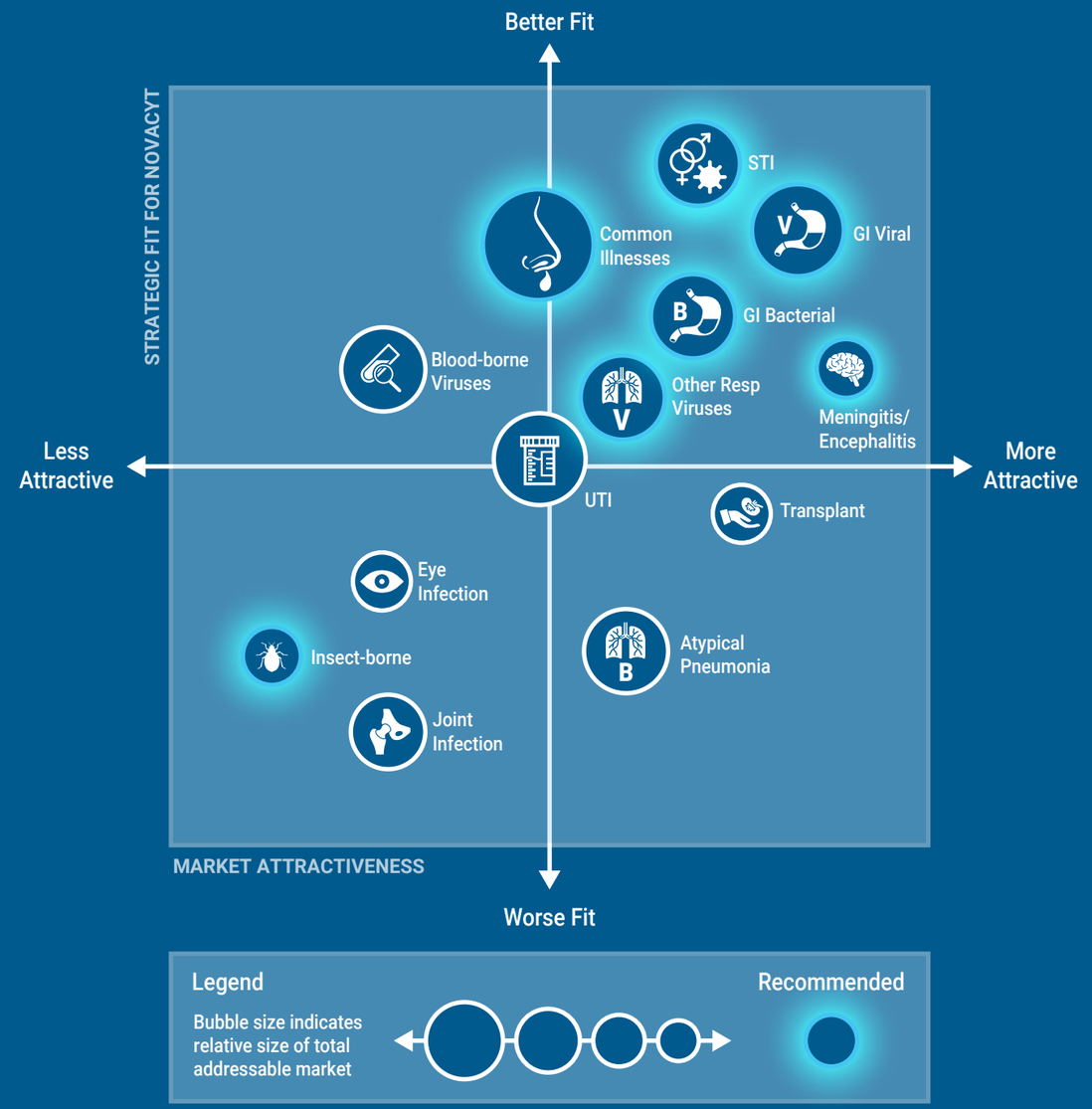
At the height of the COVID-19 pandemic, our PROmate™ technology was developed to provide total viral inactivation, with a ready prepared master mix containing internal control for run validity. This means there is no need for a category 2 laboratory to handle the live virus, so the risk in handling is nullified, and tests can be performed nearer to patients. With the success of accurate detection of SARS-CoV-2, PROmate™ is being explored with other pathogens to continue the application of Novacyt's innovation and expertise to support other healthcare threats.

Portfolio development

Novacyt conducted a comprehensive market study in 2022 to identify high-growth infectious disease areas. Based on the findings, Novacyt has prioritised the commercialisation of diagnostic products for gastro-intestinal infections, insect-borne pathogens, respiratory illnesses, and sexually transmitted infections (STIs). These represent the current developmental focus for Novacyt in 2023, with the gastro-intestinal diagnostic products scheduled for launch in 2024; insect-borne, 2025. In addition to these priority disease areas, Novacyt has identified other disease areas as opportunities for growth and menu differentiation. As a result, the company will be launching a range of new products over the course of 2023, initially targeting the Life Sciences sector. These products will be used for prevalence monitoring and in clinical laboratories as laboratory-developed tests (LDTs), with a view to adding to the diagnostic roadmap based on market feedback.

Each new product will be developed in conjunction with Novacyt's instrumentation, enabling effective deployment in decentralised laboratories. These products will add to Novacyt's diagnostic portfolio, which already includes COVID tests and our genesig™ Winterplex kit for seasonal respiratory illnesses (Flu, RSV, SARS-CoV-2). Additionally, Novacyt distributes an infectious disease portfolio in partnership with Clonit srl.

Test Opportunity Comparison



Shaping the Future with the Right Portfolio

Seasonal respiratory illnesses

The COVID-19 pandemic has taught us that identifying the right seasonal respiratory testing solutions and ensuring healthcare providers have the right tools to support optimal treatment is more critical than ever. Prioritisation of seasonal respiratory diagnostics, especially where winter diseases are prevalent, remains essential to governmental policies and health economies worldwide. The global addressable market of seasonal respiratory diagnostics is estimated to be $1,372 million for 2022 growing at a CAGR of 4% to 2026.

Viral and bacterial gastrointestinal disease

Diagnostics offer valuable insights when a patient is suspected of suffering from a gastrointestinal (GI) disease or disorder; or if a patient reports unexplained symptoms in their gut. Diagnostic tests and procedures can range from invasive to non-invasive and can help healthcare professionals learn more about the causes, symptoms, and severity of different health conditions. Providing simple and easy-to-use test solutions saves time to diagnose and provide vital information on patients' health, eventually saving lives. Global GI diagnostics (including viral and bacterial) total addressable market is estimated to be $632 million for 2022 growing at a CAGR of 5% to 2026.

Insect-borne pathogens: connecting to clinical and first responder strategy

Insect-borne or vector-borne diseases are emerging or re-emerging in many geographical areas, especially in tropical and subtropical regions, and they disproportionately affect the poorest populations. The emergence of these diseases is starting to raise alarms on new health threats and economic losses. Besides vector control, the WHO has urged other medical organisations to provide technical support to manage cases and outbreaks. With our established relationships with aid agencies, it remains an opportunity for us to provide diagnostics tools that can rapidly give results. The total addressable market of insect-borne diagnostics globally is estimated to be $156 million for 2022 growing at a CAGR of 5% to 2026.

Sexually-Transmitted Infections

Sexually-Transmitted Infections (STIs) are a major public health concern globally, with over 376 million new cases reported each year. The total market value of this segment was estimated at $22.42 billion in 2019 and is expected to grow at a CAGR of 8.2% to reach $39.11 billion by 2027. The market is made up of molecular diagnostics, immunoassays, and other diagnostic tests, with molecular diagnostics accounting for the largest share of the market.

Molecular diagnostics are highly accurate and sensitive in detecting STIs, making them the preferred method for diagnosis. The most common STIs that can be detected using molecular diagnostics include Chlamydia, Gonorrhoea, Human Papillomavirus (HPV), Herpes Simplex Virus (HSV) and Human Immunodeficiency Virus (HIV). Early detection of STIs is critical as it can prevent the spread of the infection and reduce the risk of complications such as infertility, pelvic inflammatory disease and cancer.

Overall, the STI testing market is a rapidly growing field, with molecular diagnostics playing a central role in accurate and sensitive diagnosis. As the burden of STIs continues to rise, particularly in developing countries, the need for effective testing and treatment is critical. The use of molecular diagnostics in STI testing is expected to grow significantly in the coming years, particularly for early detection and screening purposes.

Chief Executive Officer's Review

James McCarthy
Acting Chief Executive Officer

In early 2022 the business set out a new strategy to transition to a post-COVID-19 market and this remains in place today. This strategy focused on the twin objectives of portfolio development and geographic expansion underpinned by our credentials as an agile, world-leading provider of integrated RUO and clinical diagnostics. In parallel the business will continue to evaluate strategic opportunities, which would accelerate our growth including licensing, partnerships and acquisitions.

Whilst the strategy has not changed, the 2022 trading environment was much more volatile than expected. 2022 saw a sharp reduction in COVID-19 sales, falling from £10.6m in Q1 2022 to £4.1m for the total Q2-Q4 period. This decline which was much faster than expected prompted the business to accelerate its post-COVID-19 product development efforts both internally and externally and to execute a significant cost rightsizing to protect investment in R&D and commercial activities. As we accelerate our product development activities it is also worth noting that the application of IVDR from May 2022 means that product development cycles for clinical products from product design to launch are likely to be in the 24-month range going forward versus 6 months under the previous IVD process.

Product development

In July 2022 the Company relaunched its extensive and established RUO portfolio ensuring primers and probes were best in class to reliably target current pathogens. By year-end the team optimised and verified the re-designs of 25 RUO products as well as new RUO assays for Monkeypox and Adenovirus F41.

As the product development pathway for clinical products is significantly extended under IVDR the company will now develop RUO versions of its target therapeutic areas as a first step. This activity is well underway with the development of up to 10 new multiplex products in 2023 in the areas of gastrointestinal, respiratory and insect-borne infections.

Through a combination of internal R&D and 3rd party sourcing the Company has already launched a portfolio of CE marked clinical assays in the following areas:

- A winter respiratory panel with the internally developed genesig™ Real-time PCR SARS-CoV-2 Winterplex launched in Europe and CTDA approved for UK launch in October 2022
- Sexually-transmitted infections (STIs) (e.g. Chlamydia trachomatis, Neisseria gonorrhoeae, Trichomonas vaginalis)
- Gastrointestinal infections (e.g. Clostridium difficile, Enterovirus)
- Respiratory (RI) (e.g. Mycoplasma pneumoniae)
- Two single analyte transplant viral assay panels for the Epstein-Barr virus and BK virus for use on open instrument platforms during the period.

These products and enhanced workflow will be targeted where there is a need for cost-effective, rapid and highly precise diagnostic testing. Based on market research, we believe the key market for this offering is in routine testing in mid-to-low volume spoke laboratories and non-routine services in hub laboratories. As identified in April 2022 at the strategy update, we will target these markets due to our differentiated customer offering.

For Europe, which is our initial target geography with CE marked products, the Company estimates a market size of circa £470m growing at a CAGR of 10%. The mid-term goal is to offer this to customers worldwide.

Chief Executive Officer's Review

Our molecular portfolio is complemented by an extensive range of lateral flow (LFT) diagnostic tests for clinical use. The range aligns with the target disease areas covered by the molecular portfolio and has been further enhanced with the launch of two new LFT readers for use in conjunction with a number of key assays within Novacyt's Pathflow™ product portfolio. The small, lightweight reader is designed to provide digital test results based on optical imaging technology, thereby removing the ambiguity of manually interpreting a reading. The result is available in a matter of seconds (~10-12 secs) in a digital form that can be exported to other systems.

Instrumentation & workflow

Novacyt has made considerable progress enhancing its post-COVID-19 integrated sample-to-result molecular workflow solution. We have validated a nucleic acid extraction system and we have launched an automated liquid handling system (CO-Prep™) for assay set up that complements our proprietary q16 and q32 instruments and user-friendly direct-to-PCR assays to deliver an end-to-end scalable workflow solution capable of processing over 1,000 tests per day. The new workflow reduces hands-on time and risk of contamination whilst providing robust sample stewardship to reduce the chance of human error. The complete workflow platform can be used where currently decentralised sample-to-result solutions are not easily scalable, slow, and costly.

COVID-19 portfolio

To ensure Novacyt remains well positioned for any future COVID-19 outbreaks in both developed and developing markets, the Company has consolidated its portfolio. To this end, Novacyt secured CE mark accreditation for its saliva-based PathFlow™ COVID-19 Rapid Antigen Self-Test and an ambient version of its PROmate™ COVID-19 2G assay designed for international shipping. Both tests complement the Company's established genesig™ COVID-19 Real-Time PCR portfolio and PROmate™ COVID-19 direct to PCR 1G and 2G assays.

Geographic expansion

During the period, Novacyt has focused on deploying talent in key geographies and optimising its global distributor network to build coverage in new markets to ensure optimal coverage for its recently relaunched RUO portfolio and its growing clinical offering. Through this work, coverage has been increased across EMEA and the Company has begun conducting distributor training on its full portfolio, including its expanded clinical portfolio and workflow.

- Commercialised Winterplex panel with sales to hospitals in both the UK and Ireland
- Partnering with a global fisheries company in the development of tests and workflow for more efficient management of fish stocks, initial sales have been focussed on their North American subsidiary and we are now engaging with other global sites to identify their testing needs
- As the APAC region begins to open up post COVID, we are re-engaging with new and existing distributors across the region with the RUO reagent and instrument products
- Signed a contract with a leading global non-governmental organisation (NGO) to support the detection of arboviruses, including dengue, Zika and Chikungunya. This has now been extended to include West Nile Fever, Hepatitis A & E, haemorrhagic fever with further orders received. We also anticipate sales of our RSV test in the near term and they are currently evaluating our Winterplex product for deployment across the African region
- Partnering with a leading Health care company in India to supply both reagents and instrumentation

The company expects to launch an updated version of **www.novacyt.com** in H1, that will include a transition of all e-commerce from legacy sites to the updated site. All existing product pages from legacy sites will also be transferred, plus new product page content will be added. The new site will also include webshop functionality, as well as a customer portal offering instrument registration and software upgrades.

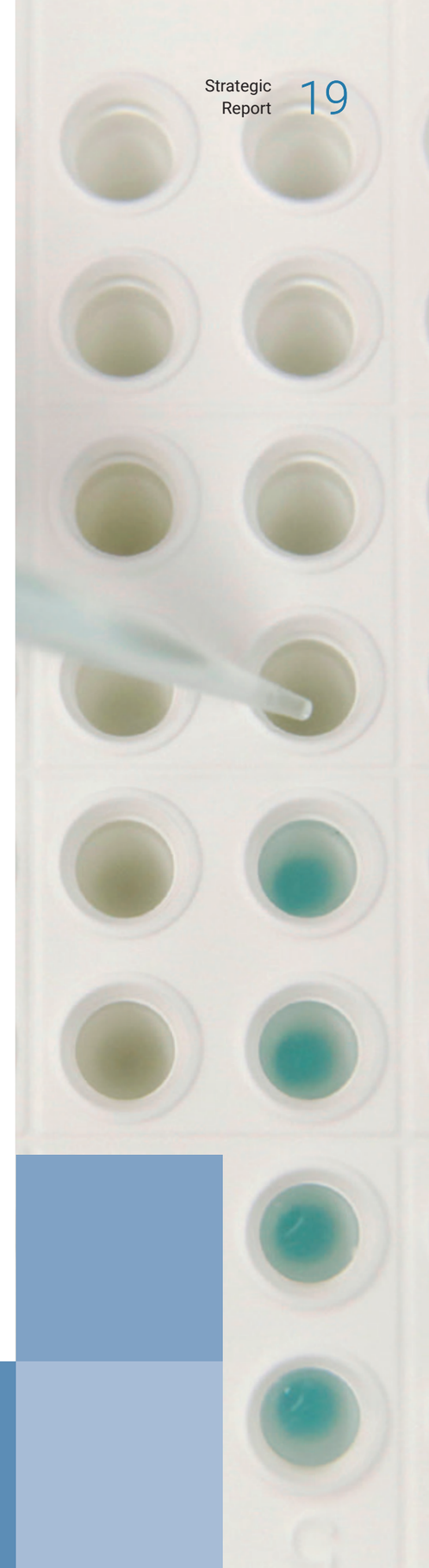
Business development

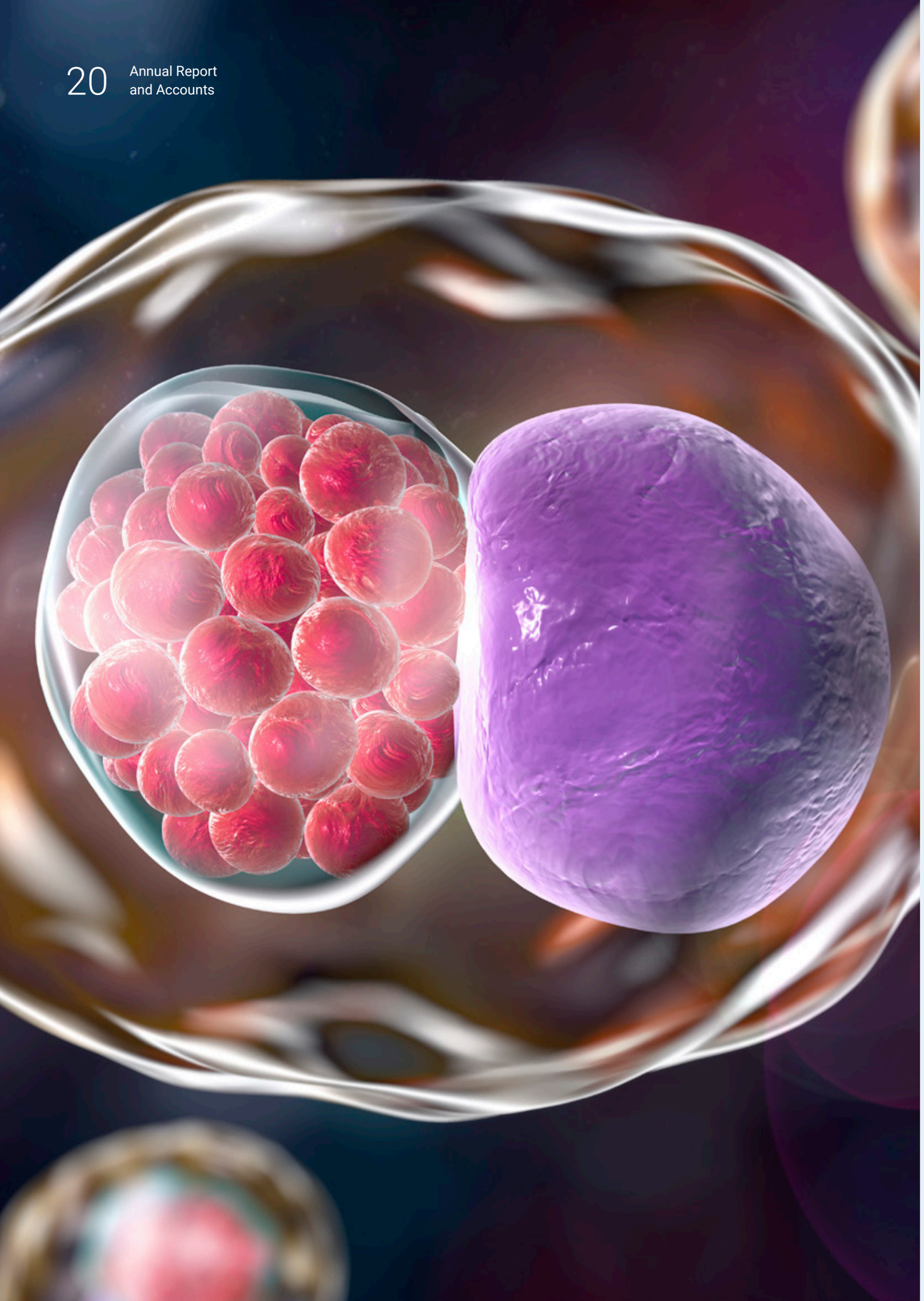
In addition to the internal development of the new portfolio, the Company continues to assess strategic M&A, partnership and licencing opportunities as a priority to add scale and diversification to support the long-term growth of the business.

In January 2023 Novacyt entered into an exclusive development agreement with Eluceda Ltd, a specialist developer of electrochemical sensors, to develop novel biosensor technology in the fields of human and animal in vitro diagnostics, life science research and animal speciation. This follows a collaboration in 2022, where the companies worked together to deliver a proof-of-principle human infectious disease biosensor. Both Novacyt and Eluceda believe that the technology has the potential to be highly disruptive in the assigned fields. Development of two products has started and the first product is expected to launch early in 2024.

I would like to thank the Board and our shareholders for their continued support throughout the year and all our employees for their passion, resilience and hard work during a difficult year of transition as we build the post COVID-19 portfolio.

James McCarthy
Acting Chief Executive Officer





Section 172(1) Statement

The Directors acknowledge their duty under s172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had particular regard to:

The likely consequences of any decision in the long term

The Group's long-term strategic objectives, including progress made during the year, and principal risks to these objectives, are set out in the Chief Executive Officer's Review on pages 16 to 19, and in the Principal Risks and Risk Management section on pages 62 to 69 respectively.

The impact of the Company's operations on the community and the environment

The Group operates honestly and transparently. We consider the impact of our day-to-day operations on the community and the environment, and how this can be minimised, as more fully explained in Principle 3 of the Corporate Governance Statement on pages 44 to 45. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on page 50.

The interests of the Company's employees

Our employees are fundamental to the Group achieving its long-term strategic objectives, and further disclosure on how we look after the interests of our employees is contained in Principle 3 of the Corporate Governance Statement on pages 44 to 45.

The desirability of the Company maintaining a reputation for high standards of business conduct

Our intention is to behave in a responsible manner, operating within a high standard of business conduct and good corporate governance. This is explained more fully in our Corporate Governance Statement on pages 44 to 52, and is also encapsulated in our risk management framework on pages 62 to 69.

The need to foster the Company's business relationships with suppliers, customers and others

A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is disclosed in Principles 2 and 3 of the Corporate Governance Statement on pages 44 and 45.

The need to act fairly as between members of the Company

Our intention is to behave responsibly towards our Shareholders and to treat them fairly and equally so that they may also benefit from the successful delivery of our strategic objectives.

Financial Review

James McCarthy
Chief Financial Officer
Novacyt S.A.

Novacyt's 2022 performance was impacted by a faster than anticipated decline in COVID-19 related sales and, as such, is reporting a loss for the year. During the second half of 2022 the Group made good progress on i) transitioning away from its reliance on COVID-19 revenue and ii) right sizing its cost base. During the period the Group carried out a large restructuring exercise to reduce its opex cost base, which saw over 100 employees leave the Group.

Novacyt generated sales of £21.0m, an EBITDA loss of £13.5m and a loss after tax of £25.7m.

Cash at the end of 2022 was £87.0m, which continues to provide the Group with a solid foundation for its future strategy.

Discontinued operations

In early 2022, Novacyt carried out a strategic review of the Lab21 Healthcare and Microgen Bioproducts businesses to consider the merits of maintaining multiple company entities/names under the Novacyt Group umbrella versus a simplified business model and brand, which the Directors believed could be more impactful. Novacyt announced its intention to discontinue both businesses in April 2022, and they had ceased day-to-day trading at the end of June 2022.

In accordance with IFRS 5, the net results of Lab21 Healthcare and Microgen Bioproducts have been reported on a separate line "loss from discontinued operations" in the consolidated income statement for FY2022 and 2021.

Revenue

Revenue for 2022 fell to £21.0m compared with £92.6m in 2021, driven by reduced demand for COVID-19 testing as we emerge from the pandemic. Primer Design delivered sales totalling £19.6m whilst IT-IS International delivered sales of £1.4m for 2022.

Gross profit

The business delivered a gross profit of £5.7m (27%), compared with £28.2m (30%) in 2021. The margin, at 27%, is significantly below the Group's historic margin (60%+) predominantly driven by the impact of stock in the form of i) booking a higher stock provision than normal as a result of lower forecast COVID-19 sales and ii) writing off stock that had not been provided for previously. Excluding the impact of these items, the margin would be in excess of 60%. The 2021 gross profit was impacted by the £35.8m one-time cost of sales exceptional charge relating to the DHSC dispute.

Operating expenditure

Group operating costs fell by £5.8m to £19.3m in 2022 compared with £25.1m in 2021. Savings are mainly due to lower staff costs, as average headcount for the continuing operations has fallen from circa 239 in December 2021 to circa 137 in December 2022 as a result of the Group-wide restructuring programme. Further savings have been made in legal and professional fees, commercial insurance, as the business contracts, and facilities.

The business continued to invest in research and development, which saw a year-on-year increase in expenditure that supported bringing a number of new products to the market.

EBITDA

The Group reported an EBITDA loss of £13.5m for 2022 compared with a profit of £3.1m in 2021. The £16.6m swing from EBITDA profitability in 2021 to an EBITDA loss in 2022 is driven by reduced gross profit contributions of £22.5m as a result of lower sales, partially offset by a £5.8m fall in operating expenditure.

Operating loss

The Group reported an operating loss of £23.4m compared with a 2021 loss of £3.9m, predominantly driven by lower year-on-year sales. Year-on-year, depreciation and amortisation charges have increased by £0.3m to £2.1m due to the annualised effect of reporting twelve months of depreciation on a number of material asset additions during late 2021.

Other operating expenses have increased from £5.2m to £7.7m. The main items making up the 2022 charge are i) a £5.2m impairment charge in relation to the goodwill and intangible assets associated with IT-IS International acquisition due to reduced future expected cash flow generation, ii) £1.3m restructuring expenses predominantly covering redundancy payments, iii) £0.9m costs in relation to the ongoing DHSC contract dispute and iv) £0.3m of other expenses.

Loss after tax from continuing operations

The Group reported a loss after tax from continuing operations of £22.2m, compared to a loss of £6.0m in 2021. Other financial income and expenses netted to a £3.3m income compared with a £1.7m charge in 2021. The two key items making up the balance are i) a £2.4m net financial foreign exchange gain mainly resulting from revaluations of the 2017 to 2020 LTIP

Financial Review

scheme liability and bank and intercompany accounts held in foreign currencies and ii) with interest rates rising the Group received £0.6m interest on deposits held in bank accounts. Taxation at £2.1m compared with £0.3m in 2021 is predominantly as a result of the movement in deferred tax.

Loss from discontinued operations

In accordance with IFRS 5, the net result of the Lab21 Products business has been reported on a separate line "Loss from discontinued operations" in the consolidated income statement for 2022 and 2021.

Lab21 Products reported a loss after tax of £3.5m in 2022 versus a loss of £3.7m in 2021. The 2022 loss includes closure costs totalling circa £1.8m made up of i) a £1.0m impairment charge of right-of-use assets (Camberley facility lease), ii) £0.6m impairment charge of remaining property, plant and equipment and iii) £0.2m redundancy costs. The 2022 tax expense of £0.4m is primarily due to the release of all deferred tax balances, as unused tax losses cannot be utilised by the Group post closure.

Earnings per share

2022 saw a loss per share of £0.36 compared to a loss per share of £0.14 in 2021, as a result of the loss widening.

Non-current assets

Goodwill has fallen from £11.5m in 2021 to £6.6m in 2022. Following the 2022 impairment review, goodwill associated with the acquisition of IT-IS International Ltd has been impaired by £5.2m as a result of reduced future expected cash flow. The remaining £0.3m is due to exchange revaluations on the acquisition of Primer Design goodwill balance, which is held in Euros.

Right-of-use assets have decreased from £1.8m at 31 December 2021 to £0.5m at 31 December 2022, largely as a result of fully impairing the right-of-use asset associated with the Camberley facility following the closure of the Lab21 Products business that operated from that site.

Property, plant and equipment has decreased by £1.8m from 31 December 2021 to £2.8m at 31 December 2022, driven by four main factors i) £1.0m depreciation costs, ii) £0.6m impairment costs for fixed assets associated with the Lab21 Products business, iii) £0.4m impairment costs for lab equipment that will not be of use to the Novacyt Group and iv) offset by capital purchases of £0.2m.

Deferred tax assets have decreased from £3.1m at 31 December 2021 to £0.6m at 31 December 2022. The 2022 balance relates to Primer Design, where a £0.6m deferred tax asset, relating to carried forward tax losses, has been recognised to offset its £0.6m deferred tax liability on accelerated capital allowances. The remaining deferred tax assets have not been recognised at 31 December 2022 on the basis that they may not be recoverable in the near-term. At 31 December 2022, the Group has unused tax losses of over £70.9m (covering France & the UK) available for offset against future relevant profits and their period of use is unlimited.

Other non-current assets have reduced by £0.8m to £3.1m as at 31 December 2022 largely driven by the amortisation of intangible assets.

Current assets

Inventories and work in progress has fallen significantly from £11.5m at 31 December 2021 to £3.0m at 31 December 2022, this is mainly due to i) providing for stock that is at risk of not being sold due to the fall in expected future demand for COVID-19 related products and ii) writing off stock that has expired in 2022 that was not previously provided for.

Trade and other receivables has fallen by £4.8m to £33.7m at 31 December 2022 in line with a decline in sales. The trade receivables balance includes a £24.0m unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020 that remains unpaid at the date of publishing the accounts. Recovery of the invoice is dependent on the outcome of the contract dispute. Also included in trade and other receivables is a £8.3m VAT receivable balance (December 2021: £8.2m), that mainly relates to UK VAT paid on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

Tax receivables has fallen by £3.9m to £1.1m at 31 December 2022, as the Group received a refund for the overpayment of 2020 corporation tax from HMRC in March 2022. The current balance relates to 2021 losses that can be carried back for relief against 2020 taxable profits totalling £0.5m and a Research and Development Expenditure Credit (RDEC) accrual covering 2021 and 2022 totalling £0.6m.

Other current assets have increased to £2.4m from £2.0m in 2021, driven by a £0.2m increase in prepayments and a £0.2m increase in short-term deposits, which includes rent deposits due back to the Group. Prepayments at 31 December 2022 include the annual Group commercial insurance, rent, rates, prepaid support costs and stock that had not been delivered at the reporting date.

Current liabilities

Contingent consideration fell from £0.8m to £nil in 2022 as a result of settling the final earnout milestones associated with the IT-IS International acquisition concluding the payments for the acquisition.

Short-term provisions remained flat year-on-year at £20.3m (2021: £20.0m). A product warranty provision for £19.8m booked in 2020 to cover Management's view of the maximum cost of replacing products in relation to the ongoing commercial dispute with the DHSC remained unchanged in 2022.

Trade and other liabilities fell to £2.8m at 31 December 2022 from £17.2m at 31 December 2021, predominantly as a result of payments made during the year in relation to the 2017 to 2020 LTIP scheme, together with a £2.6m decrease in trade payables and accrued invoices in line with reduced sales.

Non-current liabilities

Non-current liabilities has fallen by £1.5m to £1.4m at 31 December 2022. The main driver for this is the reduction in the long-term lease liability as a result of Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley, which was agreed in 2022 and settled in early 2023.

Cash flow

Cash held at the end of 2022 totalled £87.0m compared with £101.7m at 31 December 2021. Net cash used in operating activities was £13.7m for 2022 made up of a working capital outflow of £0.2m and an EBITDA loss of £13.5m, compared to 2021 that generated a cash inflow of £15.7m.

Net cash used in investing activities fell to £1.2m from £5.0m in 2021. Capital expenditure in 2022 fell to £0.4m compared with £4.1m in 2021, when the Group heavily invested in insourcing manufacturing during 2021. In addition, acquisition related cash outflows reduced by £0.1m year-on-year as a result of the final earnout milestone associated with the IT-IS acquisition being lower than the previous year's payment.

Net cash generated from financing activities in 2022 totalled £0.1m compared to a cash outflow of £0.6m in 2021. The Group has benefited from interest rate rises throughout 2022, generating £0.6m interest income from its cash balances, which has been offset by lease payments totalling £0.5m.

The Group remains debt free at 31 December 2022.

Patent box

On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current (FY2022) UK corporation tax rate of 19%.

The effective tax rate is given via a tax deduction and due to the uncertainty over the precise timing of the tax relief available to the company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

James McCarthy
Chief Financial Officer
Novacyt S.A.

Sustainability

Novacyt continues to focus on Environment, Social and Governance ("ESG") matters. We are pleased to share ESG data in this Annual Report and will continue to develop our approach over time. Environment and Social information is covered in this section, while our overall approach to Governance is addressed on page 42.

Environment: measuring our impact Streamlined Energy & Carbon Reporting

This report is Novacyt's third year of reporting under the new Streamlined Energy & Carbon Reporting requirements.

The reporting period is the same as the Company's financial year, 1 January 2022 to 31 December 2022.

Organisation boundary and scope of emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2018. These sources fall within Novacyt's consolidated financial statement.

An operational control approach has been used in order to define the organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which Novacyt is responsible, and includes emissions from Novacyt's two operational facilities:

- Primer Design, based in Southampton, UK; and
- IT-IS International, based in Stokesley, Middlesbrough.

The Microgen and Lab21 businesses were closed during 2022 therefore we have removed the data relating to them from both 2021 and 2022 to create a comparable baseline.

Methodology

The following methodology was applied in the preparation and presentation of this data:

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to Novacyt's activities to calculate GHG emissions;
- application of location-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as Novacyt does not purchase carbon credits (or equivalents).

Total energy use

The total energy use for Novacyt for the year ending 31 December 2022 was 588,023 kWh excluding Microgen and Lab21. This represents a 16% decrease in total emissions compared to the year ending 31 December 2021 (700,334 kWh) excluding Microgen and Lab21. The decrease in total emissions in 2022 relative to 2021 can be attributed to the reduction in operations and production post COVID-19 during the course of 2022.

	2021			2022		
	Primer Design	IT-IS	Total	**Primer Design**	**IT-IS**	**Total**
Gas[1]	98,689	107,077	205,766	**73,787**	**106,575**	**180,362**
Electricity[2]	392,045	102,523	494,569	**356,991**	**50,670**	**407,661**
Transport[3]	-	-	-	-	-	**-**
Total	490,734	209,600	700,334	**430,778**	**157,245**	**588,023**

References:

[1] Scope 1 covers direct emissions from sources owned or controlled by the Company, including emissions from fuel combustion (e.g. emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.), process emissions (e.g. emissions from chemical production in owned or controlled process equipment), and fugitive emissions (e.g. intentional and unintentional). Of the aforementioned facilities or assets, only natural gas combustion within boilers is applicable to Novacyt's operations.

[2] Scope 2 covers energy use and related emissions from electricity purchased for Novacyt's own use.

[3] Scope 3 covers energy use and related emissions from business travel in rental cars or employee-owned vehicles where Novacyt is responsible for purchasing the fuel. Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such Scope 3 emissions are not applicable based on the defined organisational boundary.

Sustainability

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from Novacyt's operations in the year ending 31 December 2022 were 110.8 tonnes of CO_2 equivalent (tCO_2e) excluding Microgen and Lab21, using a 'location-based' emission factor methodology for Scope 2 emissions. This represents a 22% decrease in total emissions compared to the year ending 31 December 2021 ($142.7tCO_2e$) excluding Microgen and Lab21. As with total energy use, the decrease in total emissions in 2022 relative to 2021 can be attributed to the reduction in operations and production post COVID-19 during the course of 2022.

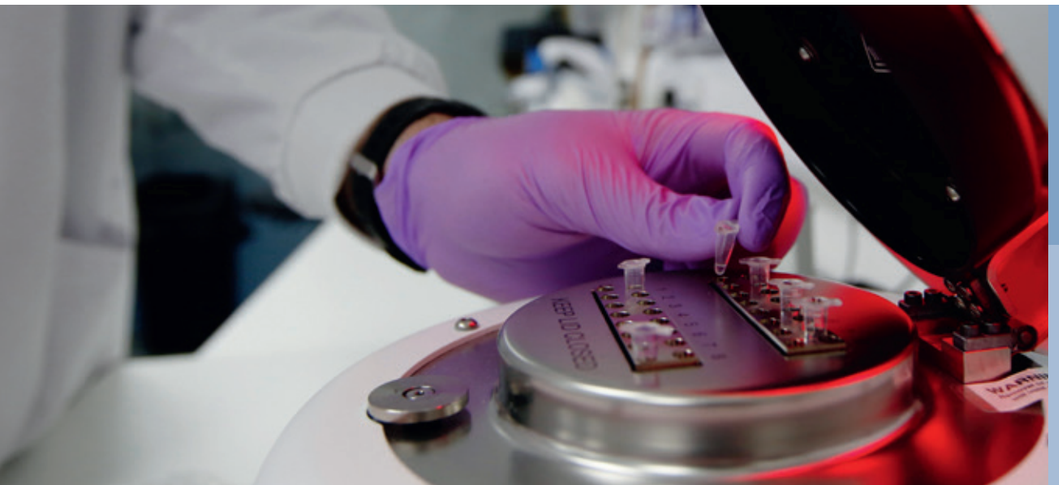
	2021			**2022**		
	Primer Design	IT-IS	Total	**Primer Design**	**IT-IS**	**Total**
Scope 1[4]	18.1	19.6	37.7	**13.4**	**19.4**	**32.9**
Scope 2[5]	83.2	21.8	105.0	**68.3**	**9.7**	**77.9**
Scope 3[6]	-	-	-	**-**	**-**	**-**
Total	101.3	41.4	142.7	**81.7**	**29.1**	**110.8**

References:

[4] Scope 1 data calculated by multiplying total fuel consumption (gas – kWh) by the UK Government GHG Conversion Factor for natural gas defined for the given year (2021: 0.18316kg CO_2e/kWh; 2022: 0.18219 kg CO_2e/kWh).

[5] Scope 2 data calculated by multiplying total electricity consumption (kWh) by the UK Government GHG Conversion Factor for electricity generated defined for the given year (2021: 0.21233 kg CO_2e/kWh; 2022: 0.19121 kg CO_2e/kWh).

[6] Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such Scope 3 emissions are not applicable based on the defined organisational boundary.



Intensity ratios

As well as reporting the absolute emissions, Novacyt's GHG emissions are reported below on the metrics of kg of CO_2 equivalent per full-time employee ("FTE") and kg of CO_2 equivalent per square foot of occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of Novacyt's offices and the day-to-day activities of the employees. All of the intensity ratios have been calculated using Scope 1 and Scope 2 emissions only.

The intensity metrics based on floor area in the year ending 31 December 2022 was 27 kg CO_2e per m^2 which is a reduction of 22% versus last year, excluding Microgen and Lab21. The employee number metric in the year ending 31 December 2022 was 551.3 kg CO_2e per FTE using the location-based method which is a reduction of 11% versus prior year, excluding Microgen and Lab21.

	2021		**2022**	
	kg CO_2e/FTE[7]	kg CO_2e/m^2[8]	**kg CO_2e/FTE[9]**	**kg CO_2e/m^2[10]**
Scope 1	163.2	9.2	**163.5**	**8.0**
Scope 2	454.6	25.6	**387.8**	**19.0**
Scope 3	-	-	**-**	**-**
Total GHG emissions	617.7	34.74	**551.3**	**27.0**

References:

[7] Number of FTE equivalents in 2021 was 231 excluding Microgen and Lab21.

[8] Building area in 2021 was 4.108 m^2 excluding Microgen and Lab21.

[9] Average number of FTE equivalents in 2022 was 201 excluding Microgen and Lab21. This decrease can be attributed to the reduction in operations and production post COVID-19 during the course of 2022.

[10] Building area in 2020 was 4108 m^2 which is the same as 2022 excluding Microgen and Lab21.

Sustainability

Energy efficiency actions undertaken

Novacyt has taken a number of actions to increase the business's energy efficiency in the year ending 31 December 2022, focused on:

i. Reducing absolute energy consumption through capital investment projects; and

ii. Reducing energy consumption per unit output through scaling up production (economies of scale), increasing asset utilisation, and increasing automation.

Principal actions reported have had a direct impact on the energy efficiency related to Scope 1 and Scope 2 emissions, as defined by the Company's operational boundary for the year ending on 31 December 2022. For increased transparency in emissions disclosure reporting, additional information has been provided on actions impacting the energy efficiency related to Scope 3 emissions despite falling outside the Company's operational boundary.

Principal actions	
Scope 1 (Gas Consumption) and Scope 2 (Electricity Usage)	**Additional information Scope 3 (Transport)**
Reduced energy consumption (absolute) • **Capital investment projects** Novacyt has reduced operational facilities with the closure of Microgen and Lab21. In addition, the Primer Design site is in the process of consolidating its operations facilities from two to one site **Reduced energy consumption (per unit output)** • **Improved energy efficiency through reduction of footprint** Novacyt has decreased manufacturing capacity with the change in demand by decreasing the real estate footprint, leading to increased output relative to overhead energy consumption • **Increased asset utilisation** Novacyt has improved asset utilisation efficiency by optimising manufacturing batch size, adopting more efficient practices • **Increased automation** New lab equipment has been purchased creating efficiencies by reducing cycle time and cost	**Reduced transportation across the value chain** • Much of the manufacturing capability that previously required 3rd party sub-contractors has been brought in house • Site consolidation to one site has eliminated the transfer of stock between sites • Where possible, reducing partial shipments to customers minimising shipping costs and impact on the environment **Managing waste** • There is a continued drive within the organisation to get to right-first-time to eliminate wasted product • Supply chain teams have adopted planning systems and worked with customers to provide forecasts to reduce unsold product • Within office space, shredded bins have been introduced and paper waste goes to recycling. Office lights have been transferred to LEDs and are now automatic • Unwanted furniture where possible has been donated to charities and universities • As part of the site consolidation and improvement projects, materials have been recycled rather than being disposed of Novacyt has taken action to reduce single-use waste by increasing the materials reused and recycled through the Company's operation. This includes an updated anti-contamination procedure to move from single-use disposable lab coats to reusable lab coats, and implementation of a standard recycling practice across all sites using recycling bins, compactors, and third-party recycling organisations

The importance of talent to Novacyt

Novacyt prides itself in the talented people we employ, who are critical to our vision to become global leaders in the fight against infectious diseases, whilst ensuring we retain our competitive advantage in a challenging market. They are passionate, resilient, committed and continue to drive successful performance. Our employees rapidly respond to opportunities with innovation and agility.

How we attract and retain talent

We use several methods to attract talent from the market. We have partnerships with a select number of recruitment consultancies that represent us internationally. Our "Refer A Friend" programme rewards existing employees that recommend their friends and family to apply to and join Novacyt and vacancies are advertised internally across our sites. We leverage our expertise across a wide range of platforms such as the Novacyt career webpage, social media sites and job boards to promote our brand and advertise our career opportunities.

Novacyt's workforce reduced in 2022, due to the closure of the Microgen and Lab21 businesses plus a further restructuring to align with projected revenue in the post-COVID environment. The average number of full-time equivalents fell from 276 in 2021 to 222 in 2022 (including Microgen and Lab21).

How we support our employees

We provide an Employee Assistance Programme in order to help all our employees and their families when faced with adversity in their lives. It offers confidential assessments, short-term counselling, referrals, and follow-up services to employees who have personal and/or work-related issues. We also partner with a specialist occupational health organisation that provides advice to Novacyt on how we re-engage with people who have been absent due to health issues or extenuating circumstances that have occurred in their lives. They help our people with how they can best settle back into their job and career.

We offer a comprehensive and competitive range of employment benefits for our people. We also hold regular all employee meetings to support communication and engagement.

Social diversity and inclusion

Novacyt actively supports diversity and inclusion and seeks to create a culture where everyone feels comfortable to be themselves at work and have their contribution valued and where individual differences can be celebrated. This approach is captured in our Equality, Inclusion and Diversity policy.

Novacyt is currently **47% female**: **53% male** across its employee population

Female **Male**

Our manager base is **46% female**: **54% male**

Female **Male**

Sustainability

Social – training and development

Novacyt's Manager Development Programme completed in 2022 providing much appreciated upskilling in our people management capability with 14 employees completing the course and receiving certification. Feedback was extremely positive and we are seeing many of the attendees demonstrating the skills and confidence gained with Line Management reported in the latest engagement survey as one of the Company's current strengths. Alongside internal product training, our talented Field Application Services team also continue to invest in upskilling our external partners.

> We support employees who wish to undertake professional qualifications or apprenticeships

Novacyt provides individuals with ad hoc training courses as and when required to meet their role requirements and career aspirations. Where possible, we also support employees who wish to undertake professional qualifications or apprenticeships.

Health and Safety

We have a clear policy on health and safety. Employees are provided with health and safety training, and protective clothing and other equipment if required. Novacyt complies with the OHSAS 18001 standard.

Supporting communities and wider society

Charitable giving

At Novacyt, we believe in contributing to communities where we operate, and we have made donations to a number of schools and charities from all over the UK including Southampton and Middlesbrough.

> During 2022, a sum of £16,000 was dedicated to supporting 35 fundraising campaigns throughout the UK.

Following the transformational financial performance of Novacyt in 2020, a Charity Committee was created from key employees within the Group tasked with identifying charities in need of support. During 2022, a sum of £16,000 was dedicated to supporting 35 fundraising campaigns throughout the UK. We contributed to projects supporting education, the Ukrainian crisis, mental health, critically ill children and adults, the homeless, old age pensioners, war veterans and animal welfare.

The Novacyt Group is proud to have played a part in supporting local communities and is truly humbled by the impact our charitable donations have made to so many people in 2022.

NOVACYT GROUP Charity Committee

Governance

The Board of Directors

James Wakefield

Non-Executive Director and Chairman of the Board

James is an experienced private equity investor, having spent over 35 years in the finance industry. He has been involved with over 50 businesses of varying sizes and stages of development across a wide range of sectors, including Board representation as Chairman or non-executive director in a number of these. He is Chairman of WestBridge Capital LLP of which he was a founder partner in 2008. He previously spent 18 years at Bridgepoint (previously NatWest Equity Partners) and, prior to that, spent four years at NatWest Markets/ NatWest Investment Bank.

He is also Chairman of the Nomination Committee and a graduate of Harvard Business School (AMP).

James McCarthy

Acting Chief Executive Officer and Chief Financial Officer

James assumed the role of Acting CEO following the departure of David Allmond in November 2022 having joined the Group as Chief Financial Officer in January 2021 and being appointed as a member of the Board in October 2021. He has over 30 years of finance experience in international businesses in both consumer and B2B and in both private equity and publicly listed companies. During his career, he has led large-scale transformation initiatives both organic and supported by M&A. He has also held general management roles, which gives him broad commercial experience and a strong appreciation for effective business partnership. He is a Fellow of the Association of Chartered Certified Accountants.

The Board of Directors

Juliet Thompson

Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic advisor to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles (managing director, head of corporate finance and partner) at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. Juliet sits on the Board of: Indivior PLC, a FTSE 250 UK global pharmaceutical company working to develop medicines to treat addiction; Organox Ltd, a private company that was spun out of Oxford University; and Angle plc, an AIM listed company with an FDA approved product with application in the liquid biopsy market. Juliet is also a trustee of Leadership through Sport & Business, a social mobility-focused charity, and trustee of the De Hann family trusts and Director of their associated investment companies. She is a member of the Institute of Chartered Accountants in England and Wales (ACA) and holds a BSc degree in Economics from the University of Bristol, UK.

Juliet is Chair of the Audit Committee and is a member of the Remuneration and Nomination Committees.

Andrew Heath MD, PhD

Independent Senior Non-Executive Director

Andrew is a healthcare and biopharmaceutical Executive with in-depth knowledge of the US and UK capital markets, with international experience in marketing, sales, R&D and business development. In addition to his role as Senior Independent Director for Novacyt since 2015, he is also currently Chairman of TauC3 Biologics Ltd. He served as Chairman of Shield Therapeutics plc from 2016–2018 and as a Non-Executive Director of Oxford Biomedica plc from 2010-2021. From 1999–2008, Andrew was the Chief Executive Officer of Protherics plc, taking the company from 30 to 350 members of staff and managing its eventual acquisition by BTG plc for £220 million. Prior to this, he served as vice president of marketing and sales for Astra Inc in the US, and worked within clinical and academic medicine at Vanderbilt University. He is also a former Director of The BioIndustry Association. He graduated in medicine from the University of Gothenburg, Sweden, where he also completed his doctoral thesis in human toxicology. He is a fellow of the American Academy of Clinical Toxicology and a fellow of the UK Institute of Directors.

Andrew is Chairman of the Remuneration Committee, and a member of the Audit and Nomination Committees.

Jean-Pierre Crinelli

Independent Non-Executive Director

Jean-Pierre is one of Novacyt's founders, having established the business in July 2006. He has some 30 years of experience in the car and electrical components industry, with various roles in M&A and business restructuring. During this period, he was located for 10 years in Singapore, North America, Belgium and Italy. He holds a Diplôme from ESC Le Havre (business school, France) and a DECS (Diplôme d'Études Comptable Supérieures, national diploma).

Jean-Pierre is a member of the Audit Committee and was appointed a member of the Remuneration Committee in 2023.

Directors' Report

General information and principal activity

Novacyt S.A. is a public limited company incorporated and registered in France with registered number 491 062 527.

Review of business

The Chairman's Statement on page 11, the Chief Executive Officer's Review on pages 16 to 19 and the Strategic Report on pages 10 to 33, provide a review of the business, the Group's trading for the year ended 31 December 2022, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

The Company is listed on both Euronext Growth Paris and on the Alternative Investment Market ("AIM") of the London Stock Exchange. Its principal activities in the year under review were specialising in infectious disease diagnostics.

Future developments

Likely future developments in the business of the Group are discussed in the Strategic Report.

Results and dividends

The results for the period and financial position of the Company and the Group are as shown in the financial statements and are reviewed in the Strategic Report.

Since its inception, the Company has not paid any dividends and the Directors do not intend to recommend a dividend at present. In the future, the Company's dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements of the business.

The Directors will only recommend dividends when appropriate, and they may, from time to time, revise the Company's dividend policy. No dividends will be proposed for the financial year ended 31 December 2022 so we can continue to invest in R&D, manufacturing and commercial aspects of the business.

Directors

The Directors of the Company who served during the year ended 31 December 2022, and up to the date of this Report are listed below.

The brief biographical details of the currently serving Directors are set out on pages 35 to 37.

Director	Capacity
James Wakefield	Non-Executive Director and Chairman of the Board
David Allmond	Chief Executive Officer (until 10th November)
James McCarthy	Chief Financial Officer Acting Chief Executive Officer (from 10th November) Company Secretary
Juliet Thompson	Independent Non-Executive Director
Andrew Heath	Independent Senior Non-Executive Director
Jean-Pierre Crinelli	Independent Non-Executive Director
Edwin Snape	Independent Non-Executive Director (until 31st December)

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 54 to 56.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' indemnity provisions

The Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. In addition, the Group has purchased and maintains Directors' and Officers' liability insurance in respect of itself and its Directors.

Political and charitable donations

The Company created a Charity Committee who were responsible for organising a number of charitable donations and activities during the reporting period, as explained further on page 32.

Financial instruments – risk management

The Group's financial risk management policy is set out in note 41 to the financial statements.

Share capital structure

The Company's share capital, traded on Euronext Growth Paris and AIM, comprises a single class of ordinary shares each having a nominal value of 1/15th of one Euro. Except as otherwise provided by law, every Shareholder has one vote for every fully paid up share of which they are the holder. Each ordinary share creates a share in the Company's assets, profits and in any liquidation surplus. In the event of a liquidation of the Company, any outstanding cash would be distributed to each Shareholder in proportion to their holdings in the Company.

The share rights follow the ordinary shares from owner to owner and any transfers of the shares include all dividends due and unpaid, and those due and, where applicable, the share of the reserves (following payment of any outstanding liabilities) of the Company.

Movements in the Company's issued share capital during the year under review are set out in note 33 to the financial statements.

As of 31 December 2022, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

Major interests

As at 31 March 2023, the Company had no shareholders with significant shareholdings above 3% of the issued share capital of the Company.

UK Bribery Act 2010

The Group is committed to complying with the UK Bribery Act 2010, both within its UK and overseas business activities.

As such, the Group has implemented an anti-bribery policy, which has been adopted by the Board, designed to ensure that the Group operates in an open, transparent and ethical manner. This policy applies to the Board and employees of the Group, and to temporary workers, consultants, contractors and agents acting for, or on behalf of, the Group (both in the UK and overseas). The policy generally sets out their responsibilities in observing and upholding a "zero tolerance" position on bribery in all jurisdictions in which the Group operates, as well as providing guidance to those working within the Group on how to recognise and deal with bribery issues and the potential consequences.

Management at all levels of the Group is responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Significant agreements

The Company is not party to any significant agreement that takes effect, alters or terminates upon a change of control of the Company other than the Directors' service contracts, details of which are set out in the Remuneration Report.

Directors' Report

Statement of engagement with suppliers, customers and others in a business relationship with the Group

The Directors are mindful of their statutory duty to act in a way they each consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in the s172(1) statement on page 21. A review of the Group's approach to developing and maintaining relationships with its wider stakeholders, and the impact on the Group's long-term strategic objectives, is set out under Principle 3 of the Corporate Governance Statement on pages 44 and 52.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2024. In making this assessment, the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2022 of £86,973,000;
- Payment of the Long-Term cash Incentive Plan ("LTIP") that commenced in 2021 and vests at the end of 2023; and
- The DHSC commercial dispute having a trial date set for June 2024.

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2023 up until April 2024.

Independent auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group's auditor. Under French law the company were required to appoint a second auditor and Alberis Audit were appointed for a period of six years to approve the financial statements up to the year ended 31 December 2026.

Disclosure of information to the auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on 15th June, further information can be found on the companies website at **www.novacyt.com**.

By order of the Board

James McCarthy
Chief Financial Officer

An Introduction from the Chairman

James Wakefield
Non-Executive Director and Chairman of the Board
Novacyt S.A.

Dear Shareholders,

As Chairman of Novacyt S.A., it is my responsibility to lead the Board to ensure that the Group has in place the strategy, people, structure and culture to deliver value to Shareholders and other stakeholders of the Group over the medium to long term. During 2022, the Group focused on building its post-COVID-19 growth strategy to become a leading, global clinical diagnostics company in the fight against infectious diseases through product portfolio expansion, geographic expansion, and business development. Following his departure in November 2022, I would like to thank David Allmond for his focus on helping to formulate a post-COVID-19 strategy for the Company.

I would also like to thank Edwin Snape for his significant contribution and the support he has provided to the Board over many years. Ed took the decision to retire at the end of 2022 after being a Board member for over 10 years.

Internal control procedures continue to be reviewed, with improvements made when identified. On behalf of the Board, I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2022.

Novacyt S.A. is incorporated in France and is listed on Euronext Growth Paris and AIM. The Directors recognise the value and importance of high standards of corporate governance. As the Company is traded on AIM, it is not required to comply with the UK Corporate Governance Code. However, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Company complies with the provisions of the QCA Code as far as is practicable for a company of Novacyt S.A.'s size, nature and stage of development, and in accordance with the regulatory framework that applies to companies admitted to trading on AIM.

The Company also continues to comply with all the requirements of being listed on Euronext Growth Paris. It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all Shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. As individual Directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in our s172(1) statement on page 21.

The QCA Code sets out ten principles, in three broad categories, and in this Corporate Governance Statement, I have set out the Group's application of the QCA Code, including, where appropriate, cross references to other sections of the Annual Report and to our website.

James Wakefield
Non-Executive Director and
Chairman of the Board

QCA Principles

Deliver growth

1. Establish a strategy and business model that promote long-term value for Shareholders

The Board is responsible to Shareholders for setting the Group's strategy by: maintaining the policy and decision-making process around which the strategy is implemented; ensuring that necessary financial and human resources are in place to meet strategic aims; monitoring performance against key financial and non-financial indicators; providing leadership whilst maintaining the controls for managing risk; overseeing the system of risk management; and setting values and standards in corporate governance matters.

The Board has established a strategy and business model which seek to promote long-term value for Shareholders and the business focused on the twin objectives of portfolio development and geographic expansion underpinned by our credentials as a global first responder. In parallel the business will use its balance sheet to accelerate the strategy through licensing, partnerships or acquisitions.

2. Seek to understand and meet Shareholder needs and expectations

The Company has a strong commitment to market communication, with the Directors seeking to be accountable against the stated strategic objectives of the Group. The Company maintains regular contact with Shareholders through publications such as the Annual Report and Accounts, operational updates, regular press announcements made via a regulatory information service and the Company's website.

The Company is responsive to Shareholder telephone and email enquiries throughout the year and the Board regards the AGM as a particularly important opportunity for Shareholders and members of the Board to meet and exchange views.

The Company receives occasional feedback direct from investors, which is carefully considered by the Board, with appropriate action being taken where the Board believes it is in the interests of Shareholders to do so.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to its Shareholders, the Company believes its main stakeholder groups are its employees, clients, suppliers and relevant statutory authorities in its areas of operation.

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities by: aiming to comply with all applicable laws and regulations, wherever the Group operates; achieving and complying with relevant quality and people management standards; consulting with and responding to the concerns of its stakeholders; working towards realising the Group's mission and vision statements; and behaving with honesty and integrity in all the Group's activities and relationships with others and rejecting bribery and corruption in all its forms.

The Board recognises the benefits of a diverse workforce, which enables the Group to make better decisions about how to optimise resources and work by eliminating structural and cultural barriers and bias. It allows us to: protect and enhance our reputation by recognising and respecting the needs and interests of diverse stakeholders; deliver strong performance and growth by attracting, engaging and retaining diverse talent and; innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Group has policies in place to encourage employees to speak up about any inappropriate practices or behaviour.

It was important for us to continue looking after our employees during 2022 as they remain keyworkers therefore we continued to enforce a COVID-19 screening programme throughout the year. During this time, we reminded our employees of the Employee Assistance Programme, which provides 24/7 support for any issues they were facing, particularly with mental health challenges, relationship issues, etc.

The Group believes that having empowered and responsible employees who display sound judgement and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its Shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations, which provide a framework for both managing risk and maintaining its position as a good "corporate citizen", and also to facilitate the setting of goals to achieve continuous improvement.

The Group encourages feedback from its clients through engagement with individual customers. As a consequence of such feedback, the Group has collaborated with multiple existing and prospective clients to develop and validate new products, work flows and know-how to improve accuracy, testing turnaround times, cost per test, and ultimately deliver improved clinical outcomes for millions of individual patients globally.

The Board is aware of the need to maintain good working relationships with the Group's key suppliers and receives regular updates from the Executive team on key supply agreements.

Health and safety

The Group is committed to complying with all relevant health and safety regulations in its operations. As such, all employees are trained on the relevant health and safety procedures upon commencement of employment within the Group. This training includes: emergency procedures; security recommendations; accidents/incidences and first aid; manual handling/ lifting and moving; work-related upper limbs disorders (including strains to hands and arms); and display screen equipment/visual display equipment assessment. We also have a section in our employee handbook covering alcohol, drugs and smoking.

The Group is not aware of any orders made in respect of a breach of health and safety regulations during the period.

Environment

The Directors consider that the nature of the Group's activities is not detrimental to the environment. The Group adopts a systematic approach to its environmental responsibility and has good knowledge of the environmental impacts caused by its operations. The Group aims to meet all relevant environmental standards in its production and products. The Group aims to establish, implement and maintain a risk-based programme to reduce or minimise any negative environmental impact caused by its operations, taking precautionary measures as soon as there is reason to believe that an action could harm the environment.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces.

The Board delegates to the Executive team the responsibility for designing, operating and monitoring both the risk management and internal control systems, and the maintenance of effective internal controls within the Group. The Company also has a whistleblowing policy.

The systems and controls in place include policies and procedures, which relate to the maintenance of records that fairly and accurately reflect transactions, correctly evidence and control the Group's assets, provide reasonable assurance that transactions are recorded as necessary to enable the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS"), and review and reconcile reported results.

QCA Principles

The Group's key internal controls are:

- establishing a comprehensive risk register for the Group;
- a regular review of the Group's insurance policies with its insurance broker to ensure that the policies are appropriate for the Group's activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- reviewing cash flow, annual revenue and capital forecasts regularly during the year, along with regular monitoring of management accounts and capital expenditure reported to the Board and comparisons with forecasts;
- financial controls and procedures, including in respect of bank payments, bank reconciliations and petty cash;
- monthly review of outstanding debtors;
- regular meetings of the Executive team;
- an Audit Committee that approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and deals with significant control matters raised;
- an independent review on whether the Group's tax processes and controls are appropriate to manage tax risk and compliance for Senior Accounting Officer ('SAO') purposes.

The Board monitors the activities of the Group through regular Board meetings and it retains responsibility for approving any significant financial expenditure or commitment of resources.

Risk management is focused around the operational areas of the Group. The Group has a dedicated Head of Quality Assurance/Regulatory Affairs, who has extensive operational experience, and particularly strong experience in quality system development and regulatory compliance. They are responsible for a Regulatory team operating across the Group, working at identifying and prioritising operational risks and working with the operational teams to mitigate the identified risks. This work is supported by the risk assessment procedure in place across the Group, with the objective to ensure that risk assessment of the Group's equipment, procedures and processes is approached consistently across the Group.

With the assistance of the Audit Committee, the Board's review process is principally based on reviewing regular reports from the Executive team to consider whether significant risks are identified, evaluated, managed and controlled effectively, and whether any significant weaknesses are promptly remedied. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 62 to 69. The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Chairman, James Wakefield, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial Officer/Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors. Whilst the Board retains overall responsibility for, and control of, the Group, day-to-day management of the business is conducted by the Executive Directors, who meet with the senior management team on a weekly basis.

Board of Directors

The composition of the Board during the period is summarised in the table on page 38 of the Directors' Report. As at the date of this Report, the Board comprises five members, of which four are Non-Executive Directors, all of whom are independent, namely James Wakefield, Andrew Heath, Juliet Thompson and Jean-Pierre Crinelli.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code that recommend that a company should have at least two independent Non-Executive Directors. The Board has, therefore, considered and determined that, all Directors are independent of the Executive management and free from any relationship that could materially affect the exercise of their independent judgement. None have beneficial or non-beneficial shareholdings in the Company exceeding 3%.

All the Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision-making and when relevant, would record their concerns about the running of the Company. At each meeting, the Board considers Directors' conflicts of interest.

The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

Time commitments

Non-Executive Directors receive a formal appointment letter on joining the Board, which identifies the terms and conditions of their appointment.

A potential director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that both the Chairman and the Non-Executive Directors are able to devote sufficient time to the Company's business.

If considered appropriate, the Board may authorise the Executive Director to take Non-Executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

QCA Principles

Attendance at Board and Committee meetings

The Directors meet regularly for formal Board meetings to discuss and decide the Group's business, financial performance and strategic decisions. In addition, and as required, the Board meets more frequently by conference call to discuss and decide on matters considered more urgent, such as those relating to acquisitive growth.

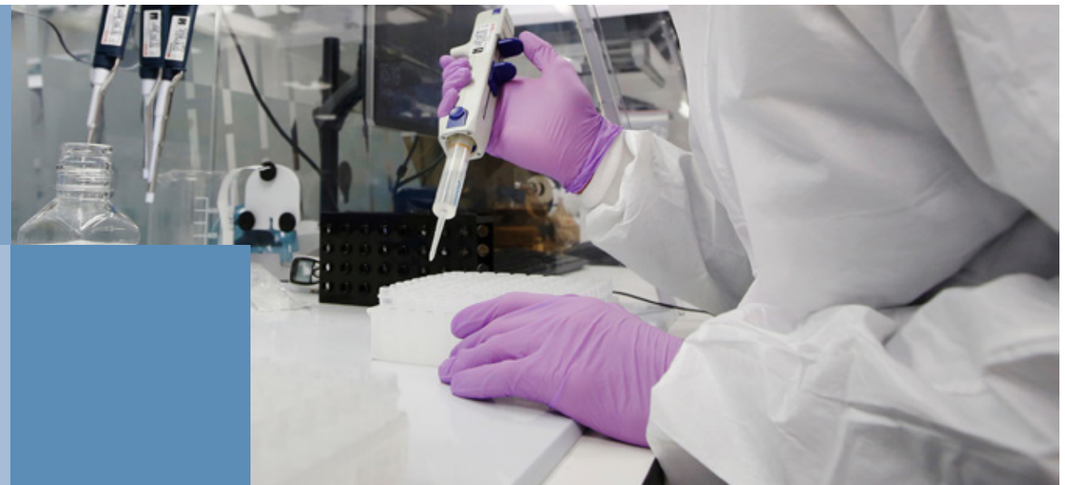
During the reporting period, the Board met in person or via conference calls twelve times.

In advance of each meeting of the Directors, the Board is provided with relevant information to ensure that it can properly carry out its role. For each meeting, the Directors generally consider the minutes of the previous meeting and any action points, recent forecast and operations, cash flows and progress on any particular projects.

The attendance of each Director at Board and Committee meetings during the period is set out in the table below. Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the following table.

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
James Wakefield	12/12	-	5/5	-
James McCarthy	12/12	-	-	-
Andrew Heath	11/12	4/4	5/5	3/3
Juliet Thompson	12/12	4/4	5/5	3/3
Jean-Pierre Crinelli	12/12	4/4	-	-
*Edwin Snape	12/12	-	-	2/3
*David Allmond	10/10	-	-	-

* David Allmond stepped down as Director on 10 November 2022 and Edwin Snape retired as Director on 31 December 2022.



6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises one Executive and four Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to deliver the Group's strategy for the benefit of Shareholders over the medium to long term. The Board considers that the Non-Executive Directors bring a wide experience at a senior level of business operations and strategy and have an expanse of knowledge and expertise gained from other areas of business.

The skills and experience of the Board are set out in their biographical details on pages 35 to 37. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary.

New Directors are presented with appropriate levels of background information on the Company, meet the management, visit sites and spend time with the Chairman and other Directors as required. The induction is tailored to meet each new Director's specific needs.

Throughout their period in office, the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior Executives.

Each Director takes responsibility for maintaining their skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars.

The Directors receive regular and ongoing updates from their professional advisors covering financial, legal, tax and the Euronext Growth Paris and AIM Rules.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and with the Euronext Growth Paris and AIM Rules.

The Company is a strong supporter of diversity in the boardroom and, during the reporting period, the Board comprised one female and six male Directors, including David Allmond who stepped down as Director 10 November and Edwin Snape who retired on 31 December. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance. The Chairman routinely assesses the performance of the Board and its members and discusses any issues, problems, or shortcomings with the relevant Director(s). Likewise, the Senior Independent Director reviews the performance of the Chairman.

Although it is not an AIM requirement for an external Board appraisal to be undertaken, the Board believes that gaining independent input on a regular basis is best practice. It therefore intends to implement an external Board appraisal on a three-year rolling basis. The current intention is to conduct the first of these within the next 12 months. The terms of reference of the report will seek input from all Board members both in the form of a questionnaire and one-to-one interviews covering:

- the themes from the questionnaire;
- the assessment of the Director's individual performance; and
- feedback on Board colleague's individual performance.

In addition, the independent review will have access to certain historic nonconfidential Board items and other information.

QCA Principles

Final feedback is likely to be in the form of a full report for internal use. It is intended that this includes an Executive summary and key findings, together with a detailed analysis of the responses to the questionnaire and anonymised comments made in response to the questionnaire and during the interviews. The report will also include recommendations for consideration together with benchmarking against best practice.

The aim of the review will be to ensure that the Board contains the necessary skills to enable it to be satisfied that:

- the Board continues to meet its regulatory requirements and ensures that appropriate processes are in place for setting the strategic direction of the Group;
- each Committee continues to be effective and that all members were considered to have made valuable contributions, and individual Directors continue to perform effectively; and
- feedback will be provided through the Chairman to individual Board members.

8. Promote a corporate culture that is based on ethical values and behaviours

The Company recognises the importance of investing in its employees to provide foundations and leadership to drive performance further regardless of age, race, religion, gender or sexual orientation or disability. Our core Company values are the building blocks for developing our dynamic and challenging culture within the Group.

These values represent our philosophy, which, through our people and organisation, will help the business deliver our Company goals. The values represent how each of us can contribute to the success of the Company both now and in the future as an individual and also as part of the wider team.

- To treat each other with trust, dignity and respect
- Enabling, empowering and energising others to make things happen
- Work as a team with colleagues and across functions
- Innovation, inspiration and motivation, creating an open culture where people are valued for their contribution
- Novacyt endeavours to deliver the best quality service to all of our internal and external customers

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group believes that it has robust policies and procedures for combating bribery and corruption. A copy of the Group's Anti-Corruption and Bribery Policy can be found on the Group's website **www.novacyt.com**.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times.

The performance and reward system endorses the desired ethical behaviours across all levels of the Group.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Chairman, James Wakefield, is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the Shareholders. James McCarthy, the Acting Chief Executive Officer, is responsible for the leadership of the business and implementation of the strategy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Group, and a formal schedule of matters reserved for decision by the Board has been adopted by the Board since admission to AIM; a copy of which can be found at **www.novacyt.com**. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls. This schedule may be updated by the Board and approved by the Board only. The day-to-day management of the business has been delegated to the Chief Executive Officer and the wider Executive team.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee; the terms of these Committees reflect market practice on AIM. These Committees of the Board have formally delegated responsibilities.

Copies of each Committee's terms of reference are available on the Company's website at **www.novacyt.com**.

Audit Committee

The Audit Committee is chaired by Juliet Thompson, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee meets at least twice a year. Andrew Heath and Jean-Pierre Crinelli are the other members of the Audit Committee.

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided on pages 58 to 60.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Heath, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration, having due regard to the interests of Shareholders. The Remuneration Committee meets at least twice a year. Juliet Thompson is a member of the Remuneration Committee together with Jean-Pierre Crinelli who was made a member in 2023 following the retirement of Edwin Snape.

The Directors' Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 54 to 56.

Nomination Committee

The Nomination Committee is chaired by James Wakefield, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year. Andrew Heath and Juliet Thompson are the other members of the Nomination Committee. Details of the activities and responsibilities of the Nomination Committee are set out on page 53.

QCA Principles

Build trust

10. Communicate how the Company is governed and is performing

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2022 is detailed on pages 53 to 60.

The Board places its responsibility to the Company's Shareholders and setting the Group's strategy for achieving long-term success as a high priority. The Group's website is regularly updated with all press releases, AGM and EGM results and investor presentations.

The results of the votes received in relation to the 2022 AGM and EGM are available on the Company's website. All ordinary resolutions proposed were passed at the 2022 General Assembly. As part of the AGM, the Company also met to hold an extraordinary general meeting. The meeting was not deemed quorate due to the minimum number of voting rights under French company law not being present or represented at the meeting. Consequently, the meeting did not take place.

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the year, the Board communicates with Shareholders directly on any views, concerns and expectations they may wish to express.

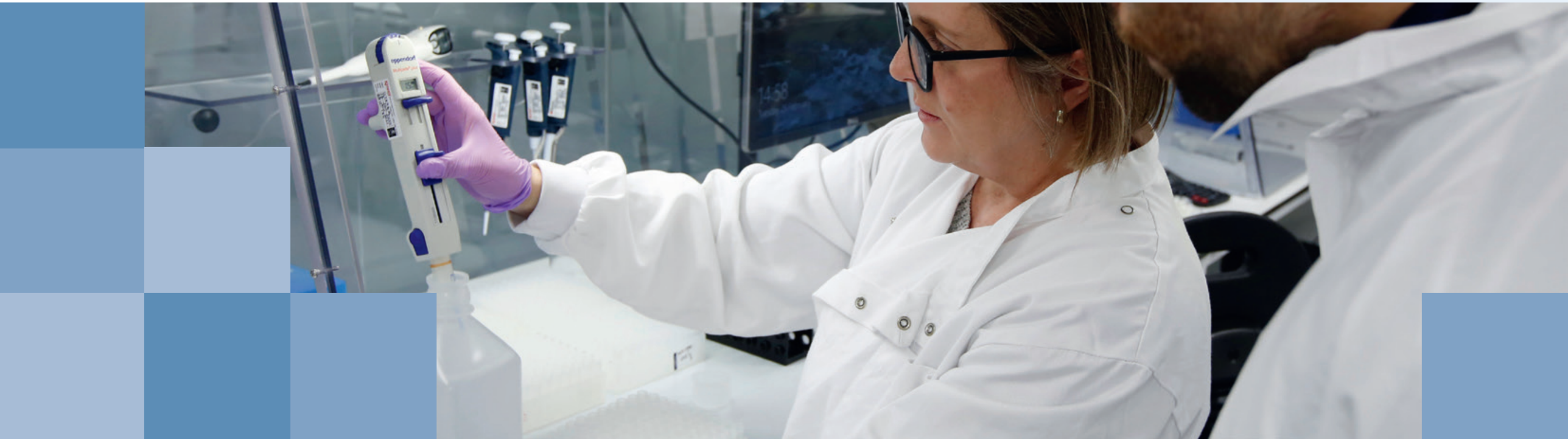
Nomination Committee Report

The Company established a Nomination Committee during 2017 prior to its admission onto the AIM market.

James Wakefield acts as Chairman of the Nomination Committee and its other members are Juliet Thompson and Andrew Heath. All members of the Nomination Committee are considered independent.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise, and to ensure that the Board consists of members with the range of skills and qualities needed to meet its principal responsibilities in a way that promotes the protection of the interests of stakeholders and compliance with the requirements of the AIM Rules.

The Nomination Committee will meet at least once a year and at such other times as the Chairman or any other member of the Nomination Committee requires. During 2022 the Nomination Committee met more often than would usually be the case in view of the departure of David Allmond as CEO and the retirement of Edwin Snape.



Directors' Remuneration Report

Andrew Heath
Chairman of the Remuneration Committee

Key responsibilities

The Remuneration Committee determines performance related targets for the members of the Executive team, reviews their performance and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Remuneration Committee also makes recommendations to the Board on proposals relating to all long-term incentive scheme structures and any future option schemes, and the granting of any share options under such schemes. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2022.

This report does not constitute a Directors' Remuneration Report in accordance with the Companies Act 2006. As a Company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code, which we consider to be appropriate for an AIM company of our size. The report provides a general statement of policy on Directors' remuneration as it is currently applied, and details the remuneration for all Directors during the year. It also provides a summary of the Novacyt LTIP, which was established during 2022.

Composition and meetings

The Remuneration Committee comprises at least two members, and all members are Non-Executive Directors considered independent. Andrew Heath acts as Chairman of the Remuneration Committee, Juliet Thompson and Jean-Pierre Crinelli are the other members. Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisors may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration. The Remuneration Committee meets as appropriate but not less than twice a year. During the period, the Remuneration Committee met three times. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 48.

Policy on Executive remuneration

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive team. In determining such policy, the Remuneration Committee takes into account all factors that it deems necessary including the relevant legal and regulatory requirements and corporate governance guidelines. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional Shareholders. The objective of the Company's remuneration policy is to attract, retain and motivate individuals of the quality required to run the Company successfully without paying more than is necessary, having regard to views of Shareholders and other stakeholders.

The Remuneration Committee recognises that the remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals, with a significant proportion of remuneration being structured to link rewards to corporate and individual performance, designed to promote the long-term success of the Company.

The Remuneration Committee, when setting the remuneration policy for Executive Directors, also has regard to the pay and employment conditions across the Group, particularly when conducting salary reviews. The main elements of the remuneration packages of the Executive Directors are as follows.

Basic annual salary and pension

Basic salary is reviewed annually by the Remuneration Committee, usually in February, and takes into account a number of factors, including the current position and progress of the Group, individual contribution and market salaries for comparable organisations. The Company makes contributions into the private pension schemes of the Executive Directors.

Discretionary bonus

At the discretion of the Remuneration Committee, taking into account performance against certain financial and individual targets, an Executive Director may be entitled to an annual discretionary cash bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee.

The Novacyt 2022 Performance Share Awards Scheme

This LTIP replaced the previous phantom share award scheme which ended in November 2020.

The 2022 Performance Share Awards (structured as nil-cost options[1]) currently applies to James McCarthy as Acting Chief Executive Officer and Chief Financial Officer, and Paul Oladimeji as Group Head of R&D. The performance shares will vest ("Vest") after three financial years (the "Performance Period") subject to the Company achieving Total Shareholder Return ("TSR") Growth conditions as follows:

TSR Growth	% of the Award that may vest
Less than 10% p.a.	Nil
Equal to 10% p.a.	25%
Greater than 10% p.a. but less than 30% p.a.	Pro-rata between 25% and 100% on a straight-line basis
Equal to or greater than 30% p.a.	100%

The baseline for TSR is based on the average closing price of the Company's shares in December 2021, which was £3.54. This will then be compared to the equivalent figure in December 2024.

Once vested, a Performance Share Award shall normally remain exercisable up until the tenth anniversary of the date of grant (3 February 2022 for these awards).

As Acting Chief Executive Officer and Chief Financial Officer James McCarthy will be required to hold 50% of vested shares, or such other percentage determined by the Board from time to time (less any shares sold to pay any tax liability) for a minimum period of one year after the vesting date.

Benefits in kind

Executive Directors are entitled to benefits in kind commensurate with their position, including company car allowance, private medical and death in service insurance.

[1] Executive salary and short-term bonus was reviewed and agreed.

Directors' Remuneration Report

Directors' remuneration

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2022 was as follows:

	Year ended 31 December 2022					Year ended 31 December 2021				
Executive Directors	**Basic salary and fees**	**Bonus**	**Pension**	**LTIP**	**Total**	Basic salary and fees	Bonus	Pension	LTIP	Total
James McCarthy[3]	**354,517**	**-**	**-**	**-**	**354,517**	73,883	-	-	150,000[5]	223,883
David Allmond[3, 6]	**372,708**	**-**	**-**	**-**	**372,708**	85,744	200,000[4]	-	-	285,744
Non-Executive Directors										
James Wakefield	**128,333**	**-**	**-**	**-**	**128,333**	95,000	-	-	-	95,000
Andrew Heath	**49,399**	**-**	**-**	**-**	**49,399**	47,500	-	-	-	47,500
Juliet Thompson	**49,399**	**-**	**-**	**-**	**49,399**	47,500	-	-	-	47,500
Jean-Pierre Crinelli[1]	**33,686**	**-**	**-**	**-**	**33,686**	32,672	-	-	-	32,672
Edwin Snape[2, 7]	**36,784**	**-**	**-**	**-**	**36,784**	31,802	-	-	-	31,802

[1] Salaries paid in Euros and disclosed in GBP, translated at the average exchange rate of 1.173187 in 2022 (2021: 1.163068)

[2] Salary paid in USD and disclosed in GBP, translated at the average exchange rate of 1.236969 in 2022 (2021: 1.375659)

[3] James McCarthy and David Allmond were elected as Directors during the AGM held on 18 October 2021

[4] Payment received by way of a signing on bonus

[5] Cash payment received in lieu of 2021 LTIP entitlement

[6] David Allmond stepped down as Director on 10 November 2022

[7] Edwin Snape retired as Director on 31 December 2022

Performance Share Awards Scheme

Directors' shareholdings and share interests

The interests of the Directors who served during the year in the share capital of the Company as of 31 December 2022, 31 December 2021 and the date of this report were as follows:

	As at the date of report	31 December 2022	31 December 2021
James McCarthy	49,670	49,670	10,000
James Wakefield	43,839	43,839	36,839
Andrew Heath and family	20,000	20,000	20,000
Juliet Thompson	-	-	-
Jean-Pierre Crinelli	33,981	33,981	30,773
David Allmond[1]	-	43,500	-
Edwin Snape[2]	-	17,919	17,919

[1] David Allmond stepped down as Director on 10 November 2022

[2] Edwin Snape retired as Director on 31 December 2022

All interests are beneficially held. There is no requirement for Directors to hold shares in the Company.

Directors' share interests under the 2022 Performance Share Awards Scheme

The Performance Share Awards allocated to the Executive team under the 2022 Performance Share Awards Scheme, which represent 0.4% of the current issued share capital, are as follows:

Participants		LTIP Award # Shares
James McCarthy[1]	Acting Chief Executive Officer and Chief Financial Officer	228,333
Paul Oladimeji	Head of R&D	57,452
Total		**285,785**

[1] James McCarthy is a member of the Novacyt Board

Conclusion

This report is intended to explain clearly the remuneration approach adopted by the Company and to enable Shareholders to appreciate how it underpins the Group's business growth and strategic objectives. The Board considers that the current remuneration policy is fair and is fully aligned with the interests of Shareholders.

Andrew Heath
Chairman of the Remuneration Committee

Audit Committee Report

Juliet Thompson
Chair of the
Audit Committee

Key responsibilities

The Audit Committee administers the financial reporting of the company and related risks, internal controls, compliances, and ethics.

It must coordinate with management and the auditors to come up with financial reporting for the Group results that is compliant with International Financial Reporting Standards, as adopted by the EU, and French GAAP for the parent Company.

Ensuring the financial reports are accurate, the audit committee should be aware of the processes and internal controls put in place by the company's management.

The Audit Committee is responsible for appointing individual auditors, along with evaluating their performance and compensation. In some organisations, they may oversee the internal auditors as well.

The Audit Committee comprises at least two members, with at least one Non-Executive Director considered independent, including the Chairman.

In addition, the Chief Financial Officer and other members of the Company may be invited to attend as required.

Independent Non-Executive Director, Juliet Thompson, being a chartered accountant, acts as Chair of the Audit Committee, and its other members are Jean-Pierre Crinelli and Andrew Heath.

Summary of the role of the Audit Committee

The Audit Committee's primary responsibility is to monitor the quality of internal controls and ensure that the financial performance of the Group is properly measured and reported on.

It receives and reviews reports from the Executive team and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee meets as appropriate, but not less than twice a year, and minutes are recorded for each meeting by the Chief Financial Officer.

The Audit Committee is able to call for information from the Executive team and has unrestricted access to the Company's external auditors.

The Audit Committee operates within specific terms of reference that include:

- Reviewing management procedures to monitor the effectiveness of the accounting systems, accounting policies and internal controls;
- Conducting a regular and ongoing process of risk assessment;
- Reviewing the scope and planning of the external audit;
- Reviewing the findings of the external auditor's and management's response;
- Reviewing the annual financial statements before their submission to the Board for approval;
- Making recommendations to the Board concerning the appointment and remuneration of the external auditor;
- Reviewing any profit forecasts or working capital statements published in any bid document or listing particulars as investigated and verified by the Company's auditor and/or reporting accountant;
- Reviewing from time to time the cost effectiveness of the audit including a review of the performance of the external auditor;
- Monitoring the fees paid to the external auditor and where the external auditor supplies a substantial volume of non-audit services to the Company, to keep the nature and extent of such services under review, in order to achieve a balance between objectivity and value for money; and
- Having the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

The Audit Committee is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of the Executive team and other employees are understood throughout the Group.

External auditors

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external auditor. The Audit Committee receives reports on the external audit firm's own internal quality control procedures and confirmation of the auditor's independence. The Audit Committee ensures that appropriate plans are in place for the external auditor each annual cycle.

The Group's external auditors are Deloitte LLP and Alberis Audit. Under French law, the mandatory term for auditors is six years. Deloitte LLP was reappointed as external auditor during the AGM held in 2018 and has now been the auditor for eleven years at the end of the audit of the annual accounts for the year ended 31 December 2022, in addition, Alberis Audit were appointed in 2021 for a period of six years to approve the financial statements up to the year ended 31 December 2026.

The Audit Committee annually reviews the effectiveness of the external auditor. This process involves overseeing the relationship with the Group's external auditor, including reporting to the Board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, and assessing the effectiveness of the audit process. The external auditor presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external auditor's summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board have been satisfied with the performance of the external auditors during the year and with the policies and procedures they have in place to maintain their objectivity and independence. The Audit Committee also approves in advance any non-audit services to be performed by the auditor such as tax compliance and advisory work, audit related assurance services (e.g. reviews of internal controls and reviewing the Group's interim financial statements).

Any non-audit services that are to be provided by the external auditor are reviewed in order to safeguard auditor objectivity and independence. Accordingly, the Board can confirm that, during the reporting period, there have been no non-audit services that are considered to have impaired the objectivity and independence of the external auditor. A full breakdown of payments made to the external auditor during the financial year is disclosed within note 43 to the financial statements.

Work undertaken by the Audit Committee during the period

The Audit Committee met four times during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 48.

Deloitte LLP and Alberis Audit, as the auditors, were also present at one of the meetings.

The key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- Review of the Annual Report and Accounts for the year ended 31 December 2021;
- Consideration and approval of the unaudited interim financial statements for the period ended 30 June 2022;
- Review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- Review of the Company's interim report for the six months ended 30 June 2022;
- Approval of the audit fees for the financial year ended 31 December 2022;
- Approval of non-audit work to be carried out by the auditor;
- Consideration of the independence and objectivity of the external auditor;
- Review of the internal controls and risk management systems within the Group;

Audit Committee Report

- Consideration of the requirement for the Group to have an internal audit function;
- Review of the effectiveness of the external auditor, as more fully described above;
- Discussions with the auditor on the audit approach and strategy, the audit process, significant audit risks and key issues of focus for the annual audit;
- Review and approval of the continuing appointment of Deloitte LLP as the Group's auditor and Alberis Audit as 2nd auditor.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

The Audit Committee, in conjunction with the auditor, has considered there are no significant issues relating to the preparation of the financial statements contained in this Annual Report.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee) is outlined on pages 62 to 69.

Internal audit

The Board has reviewed the need for a separate internal audit function and concluded that such a function is not currently appropriate for a size of company such as the Group, and because the internal audit principles already fall under the remit of the Audit Committee.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2024.

In making this assessment, the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2022 of £86,973,000;
- Payment of the Long-Term cash Incentive Plan ("LTIP") that commenced in 2021 and vests at the end of 2023; and
- The DHSC commercial dispute having a trial date set for June 2024.

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2023 up until April 2024.

Approved by on behalf of the Board.

Juliet Thompson
Chair of the Audit Committee

Principle Risks and Risk Management

The Group's risk management strategy is a key responsibility of the Board of Directors. The Board ensures that all major risks are understood and appropriately managed in light of the Group's strategy and objectives and is satisfied that the Group's risk management and internal control systems are adequate.

The Group's risk management framework supports the risk assessment procedure across the Group, with the objective of ensuring that the assessment of the strategic, operational, financial and external risks of the Group is approached consistently Group-wide.

At this stage of the Company's development, the Board does not consider it to be appropriate to establish an internal audit function, but this will be kept under review.

The principal risks faced by the Group are set out below.

The pace of development in the healthcare industry	The Group operates within the biotechnology sector, a complex area of the healthcare industry. Rapid scientific and technological change within the biotechnology sector could lead to other market participants creating approaches, products and services equivalent or superior to the diagnostic testing products and services offered by the Group, which could adversely affect the Group's performance and success. If the Group is unable to keep pace with these changes in the biotechnology sector and in the wider healthcare industry, the demand for its technological platforms and associated products and services could fall.
Competitive pressures	Companies operating within the biotechnology sector are subject to competitive forces that may result in price discounting and product obsolescence. Better resourced competitors may be able to devote more time and capital towards the R&D process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group operates. In addition, a certain number of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.
Geographic markets	The Group is largely based in the UK, and its products are distributed to and sold across multiple jurisdictions. In each of these jurisdictions, there may be a number of associated risks in respect of which the Group will have no, or limited, control. These may include: contract renegotiation, contract cancellation, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control and licensing.
Product development	Additional products and services developed through the element of the Group's strategy focused on R&D transformation will be required to drive the Group's growth, such as Primer Design's focus on transferring assays from RUO to clinical CE-IVD products. The development of such additional diagnostic testing products and services may take longer than expected or not be successful at all, which may adversely impact the Group's ability to generate revenues and achieve sustainable profitability. In addition, the value of additional diagnostics tests and products may not prove as robust as currently envisaged by the Group. Any delays or unbudgeted expenditures incurred by the Group could postpone or halt the commercialisation of particular diagnostics tests and products.
Product liability claims	The Group faces an inherent risk of product liability and associated adverse publicity as a result of the sales of its products. Criminal or civil proceedings might be filed against the Group by patients, the regulatory authorities, pharmaceutical companies and any other third party using or marketing its products. Any such product liability claims may include allegations of defects in manufacturing, defects in design, negligence, strict liability, a breach of warranties and a failure to warn of dangers inherent in the product. If the Group cannot successfully defend itself against product liability claims, it may incur substantial liabilities or be required to limit commercialisation of its products, if approved. Even successful defence could require significant financial and management resources. Although the Group maintains a level of insurance that is customary for its industry to cover its current business, any claim that may be brought against the Group could result in a court judgement or settlement in an amount that is not covered, in whole or in part, by its insurance or that is in excess of the limits of its insurance coverage. Its insurance policies also have various exclusions and the Group may be subject to a product liability claim for which the Group has no coverage.
Reliance on sole suppliers	Due to the specific and innovative nature of some of the Group's products, there may only be a single supplier of goods or services to the Group in respect of those products or services, which may or may not be pursuant to the terms of exclusive supplier agreements. The Group's purchases may be delayed if that single supplier, in respect of any one product or service, has its own manufacturing difficulties or is not able to meet the purchase requirements of the Group within a reasonable time frame. Further, any exclusive supplier arrangements may be terminated by either the supplier or the Company on notice. In the event of serious delays or non-performance by such suppliers, or upon such arrangements being terminated, the Group's own stock levels could diminish or be exhausted. The Group may consider expanding its current supplier base to reduce the reliance on certain suppliers. However, there is no guarantee that they will be successful in doing so in a manner that complies with regulatory requirements.

Principle Risks and Risk Management

Reliance on third-party distributors	The Group uses third-party distributors in a number of its business areas. Although the Group enters into agreements with such distributors, it cannot ultimately control their actions and they may underperform or not act in the best interests of the Group. Furthermore, the distribution agreements may be terminated by the distributors or the Group. If so, and if appropriate from the Group's strategy at that time, the Group may seek to find a replacement distributor but there can be no guarantee that they will be successful in doing so.
Acquisition strategy	A core part of the Group's strategy is to undertake acquisitions that are strategically complementary to its existing businesses. The success of such a strategy will depend on the Group's ability to identify potential targets, complete the acquisition of such targets on favourable terms, including securing appropriate financing, and to generate value from the acquired targets. This strategy may not be successful under all or any market conditions. The Group may not be able to acquire targets on attractive terms or to generate resulting returns for Shareholders and prospective investors.
Litigation and arbitration	From time to time, the Group may be subject to litigation arising from its operations, distribution and sales. Damages claimed, awarded, settled or paid under any litigation or arbitration may be material or may be indeterminate, and the outcome of such litigation or arbitration may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations. Please refer to notes 44 and 45 of the accounts regarding the ongoing DHSC dispute.
Key personnel	The Group depends on the services of its key personnel, which includes a number of individuals some of whom are currently on a short notice period of three months or less. The Group's ability to manage its R&D and product development activities, wider operations and financing will depend in large part on the efforts of its key personnel. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group's objectives and strategy.
Tenders	A proportion of the Group's revenues stem from tenders awarded to the Group and it is not possible to control and/or predict the outcomes of these tender processes. The success of such tender awards is based upon the ability of the organisation or country to finance tenders, and then it is based upon the historical performance, price and quality of the competitors who have been invited to participate in the tender process. The Group may not be successful in future tender processes. The failure to gain new business through the award of tender contracts may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
Regulatory environment	The Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are manufactured and distributed. These laws, regulations and standards may change and, if the Group fails to meet those regulatory or other requirements, it could face delays or prohibitions on the operation of its business. The Group's ability to conduct business is predicated on being in compliance with all licence requirements as specified by each relevant jurisdiction. The Group may not continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Group to carry on its business, the Group could face delays or prohibitions on the development, manufacture, sale or distribution of its products, which may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
New IVDR regulations	The entire IVD industry within the EU has undergone a significant regulatory transition from the In Vitro Diagnostic Directive ("IVDD") (98/79/EC) to the new In Vitro Diagnostic Regulation ("IVDR") (2017/746). There are a limited number of notified bodies available to IVDD manufacturers, which reflects a risk that the industry may not be ready when the new IVDR regulations come into force. In recognition of this, the European Commission has delayed the full implementation of IVDR for existing products until 2025, 2026 or 2027 depending on the risk classification of the device (COVID tests must meet the requirements by 2025). Whilst there is now more time to meet requirements for existing tests, any new products launched after May 2022 must meet IVDR requirements. The cumulative effect of the introduction of the new regulation has significantly increased the burden on IVD manufacturers to maintain regulatory compliance and this may result in older products being discontinued due to the additional cost of compliance. The IVDR applies to any products sold in Europe. The UK, in turn, is applying its own regulatory regime to IVDDs, which will involve applying a UK certification mark for any products sold in the UK and this increases the regulatory burden.
Employment laws	The Group is also subject to various UK and US regulations governing the Group's relationship with employees, including such matters as the treatment of part-time or agency workers, employers' National Insurance contributions, overtime and other working conditions. A failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of facilities for an indeterminate period of time or third-party litigation.
European General Data Protection Regulation	The Group is committed to ensuring compliance with European General Data Protection Regulation ("GDPR"). Failure to demonstrate appropriate actions to comply with GDPR could result in a one-off discretionary caution or can escalate to a fine of up to 4% of annual global turnover.

Principle Risks and Risk Management

Information technology	The Group is heavily reliant upon its information technology systems to enable it to manage a growing business and to service its customers online. Information systems are used across all aspects of the Group's business, including R&D, product development, sales, production, stock control, distribution, and accounting and finance. The Group's business would be adversely affected by a material or sustained breakdown in its key computer and communication systems. In addition, the Group may face online security breaches, including hacking and vandalism. The Group cannot guarantee absolute protection against unauthorised attempts to access its information technology and communication systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.
Brexit	On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020. As the IVDD applies to all products placed on the market, the Company still need to comply with IVDD and IVDR but as we are now considered a non-EU manufacturer, we have to appoint a European Authorised Representative and Importer based in the EU, to make labelling changes and register our products with an EU Competent authority. This adds cost and complexity to selling in Europe. In addition, the UK Government is currently drafting new UK Regulations requiring IVDs placed on the UK market to undergo a regulatory process that could mirror the CE marking process, with a separate registration in the UK and the application of a UKCA mark adding further cost and complexity.

Protection of intellectual property rights	The Group's ability to compete depends, in part, upon the successful protection of its intellectual property, in particular its patents, trademarks, know-how and trade secrets. The Group seeks to protect its intellectual property through the filing of worldwide patent and trademark applications, as well as robust confidentiality obligations on its employees (and any contractors). Despite these precautions that may be taken by the Group to protect its intellectual technology and products, unauthorised third parties may attempt to copy, or obtain and use, its technology and products. A third party may infringe upon the Group's intellectual property, release information considered confidential about the Group's intellectual property and/or claim technology that is registered to the Group. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its intellectual property, or block sales of its products by alleging a breach of their intellectual property. Applications filed by the Group in respect of new patents and trademarks may also not be granted. The Directors are committed to defending the Group's intellectual property vigorously through litigation and other means.
Infringement of third-party patents and other intellectual property rights	The Group's products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialise its products. If the Group is sued for patent infringement, the Group would need to demonstrate that its products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to have infringed a third-party's patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its products and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or products. A finding of infringement could prevent the Group from commercialising its products or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

Principle Risks and Risk Management

Protection of trademarks	The Group owns certain trademarks that are important to its business and competitive position. Third parties may infringe or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group's intellectual property may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property that is not registered as belonging to the Group) at all or in a particular market. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
Customer concentration	There was no customer that contributed 10% or more to the Group's revenue in 2022.
Bad debts	The Group sells to companies of all sizes from small to medium-sized enterprises to blue-chip institutions, and operates in emerging markets, such as the Middle East, Asia-Pacific, Africa and South America. Whilst the Group has, to date, successfully managed the risk of being paid for products and services sold into these companies and regions, as the Group grows and its customer base and distribution channels expands, there could be a higher risk that new customers do not pay in a timely manner and that bad debt increases.
Foreign exchange rates	The Group operates on a global basis and it has exposure to foreign exchange risk on purchases and sales that are denominated in currencies other than the Pound Sterling, Euro and US Dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Pound Sterling, Euro and US Dollar exchange rates have fluctuated significantly in the past and may do so in the future. Consequently, revenue, expenditure, cash and borrowings may be higher or lower than anticipated by the Group. In addition, the financial statements of the Group are denominated in Pounds Sterling which, therefore, give further exposure to foreign exchange rate fluctuations and may impact the financial results reported to its Shareholders, particularly as profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss statement.
SARS-CoV2 Pandemic	The global pandemic caused significant disruption and volatility to the entire diagnostics market. However, the threat from COVID-19 to public health has now eased considerably due to vaccination and natural immunity in the general population with testing requirements for travel, work and leisure now rarely required. Following the pandemic, the UK health care system is struggling with significant patient backlogs at a time where funding has come under pressure as government budgets struggle with the global cost of living crisis. This means more volatility in demand for diagnostics companies and uncertainty in planning and forecasting future demand.

Financial Statements

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and applicable law, and have elected to prepare the parent company financial statements under French GAAP.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statement's on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the Group's financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Financial Statements

Statutory Auditors Report on the Statement Consolidated Financial Statements

For the year ended 31 December 2022

This is a translation into English of the statutory auditor's report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to Shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the NOVACYT Shareholders' Meeting

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of NOVACYT for the year ended 31 December 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from 1 January 2022 to the date of our report.

Emphasis of matter

We draw attention to the following matter:

- Notes 44, Contingent Liabilities and 45, Subsequent Events, identifying an ongoing commercial dispute and disclosing the underlying assumptions and the potential impacts in the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Goodwill

Goodwill was subject to impairment tests according to the procedures described in the "Impairment testing" note to the consolidated financial statements. We reviewed the procedures used to implement these tests as well as the cash flow forecasts and assumptions used for this purpose, and we verified that the "Impairment testing" and "Goodwill" notes provided appropriate disclosures.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law and regulations of the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Financial Statements

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report.

However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Cergy and Paris-La Défense, 26th April 2023

The Statutory Auditors
French original signed by
Alberis Audit
Deloitte & Associés
Guillaume TURCHI
Benoit PIMONT

Accounts and Notes

Consolidated income statement for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021 (*)
Continuing Operations			
Revenue	5	21,040	92,603
Cost of sales	7	-15,294	-28,607
Cost of sales – exceptional	8	-	-35,770
Total cost of sales		**-15,294**	**-64,377**
Gross profit		**5,746**	**28,226**
Sales, marketing and distribution expenses	9	-4,826	-6,225
Research and development expenses	10	-5,047	-4,645
General and administrative expenses	11	-12,090	-16,359
Governmental subsidies		562	308
Operating (loss) / profit before exceptional items		**-15,655**	**1,305**
Other operating income	12	-	65
Other operating expenses	12	-7,738	-5,286
Operating loss after exceptional items		**-23,393**	**-3,916**
Financial income	13	3,969	787
Financial expense	13	-629	-2,531
Loss before tax		**-20,053**	**-5,660**
Tax expense	14	-2,148	-349
Loss after tax from continuing operations		**-22,201**	**-6,009**
Loss from discontinued operations	38	-3,529	-3,719
Loss after tax attributable to owners of the Company (**)		**-25,730**	**-9,728**
Loss per share (£)	15	-0.36	-0.14
Diluted loss per share (£)	15	-0.36	-0.14
Loss per share from continuing operations (£)	15	-0.31	-0.09
Diluted loss per share from continuing operations (£)	15	-0.31	-0.09
Loss per share from discontinued operations (£)	15	-0.05	-0.05
Diluted loss per share from discontinued operations (£)	15	-0.05	-0.05

* The 2021 consolidated income statement is presented to reflect the impact of the application of IFRS 5 relative to discontinued operations, by stating the Lab21 Products activity on a single line 'Loss from discontinued operations'.
** There are no non-controlling interests.

Consolidated statement of comprehensive income for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021 (*)
Loss for the period recognised in the income statement	**-25,730**	**-9,728**
Items that may be subsequently reclassified to profit or loss:		
Translation reserves	-843	862
Total comprehensive loss	**-26,573**	**-8,866**
Comprehensive loss attributable to:		
Owners of the Company (**)	**-26,573**	**-8,866**

* The 2021 consolidated income statement is presented to reflect the impact of the application of IFRS 5 relative to discontinued operations, by stating the Lab21 Products activity on a single line 'Loss from discontinued operations'.

**There are no non-controlling interests.

Statement of financial position for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Goodwill	16	6,646	11,471
Other intangible assets	17	3,121	3,710
Property, plant and equipment	18	2,751	4,594
Right-of-use assets	19	521	1,788
Non-current financial assets		-	144
Deferred tax assets	20	624	3,143
Other long-term assets		-	64
Total non-current assets		**13,663**	**24,914**
Inventories and work in progress	21	3,027	11,461
Trade and other receivables	22	33,662	38,499
Tax receivables	28	1,149	5,034
Prepayments and short-term deposits	23	2,418	2,034
Investments short-term		9	9
Cash and cash equivalents	24	86,973	101,746
Total current assets		**127,238**	**158,783**
Total assets		**140,901**	**183,697**
Lease liabilities short-term	25	609	424
Contingent consideration short-term	27	-	836
Provisions short-term	29	20,300	19,956
Trade and other liabilities	30	2,787	17,190
Other current liabilities	31	540	498
Total current liabilities		**24,236**	**38,904**
Net current assets		**103,002**	**119,879**
Lease liabilities long-term	25	263	1,446
Provisions long-term	29	95	308
Deferred tax liabilities	20	1,041	1,224
Other long-term liabilities	32	50	-
Total non-current liabilities		**1,449**	**2,978**
Total liabilities		**25,685**	**41,882**
Net assets		**115,216**	**141,815**

Statement of financial position for the years ended 31 December 2022 and 31 December 2021 (continued)

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Share capital	33	4,053	4,053
Share premium account	34	50,671	50,671
Own shares		-91	-78
Other reserves	35	-2,017	-1,174
Equity reserve	36	1,155	1,155
Retained earnings	37	61,445	87,188
Total equity – owners of the Company		**115,216**	**141,815**
Total equity		**115,216**	**141,815**

Statement of changes in equity for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Other Group reserves									
	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primer Design	Translation reserve	OCI on retirement benefits	Total	Retained earnings	Total equity
Balance at 1 January 2021	**4,053**	**50,671**	**-49**	**1,155**	**-2,407**	**379**	**-8**	**-2,036**	**96,916**	**150,710**
Translation differences	–	–	–	–	–	862	–	862	–	862
Loss for the period	–	–	–	–	–	–	–	–	-9,728	-9,728
Total comprehensive income / (loss) for the period	**–**	**–**	**–**	**–**	**–**	**862**	**–**	**862**	**-9,728**	**-8,866**
Own shares acquired / sold in the period	–	–	-29	–	–	–	–	–	–	-29
Balance at 31 December 2021	**4,053**	**50,671**	**-78**	**1,155**	**-2,407**	**1,241**	**-8**	**-1,174**	**87,188**	**141,815**
Translation differences	–	–	–	–	–	-843	–	-843	–	-843
Loss for the period	–	–	–	–	–	–	–	–	-25,730	-25,730
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**-843**	**–**	**-843**	**-25,730**	**-26,573**
Own shares acquired / sold in the period	–	–	-13	–	–	–	–	–	–	-13
Other	–	–	–	–	–	–	–	–	-13	-13
Balance at 31 December 2022	**4,053**	**50,671**	**-91**	**1,155**	**-2,407**	**398**	**-8**	**-2,017**	**61,445**	**115,216**

Statement of cash flows for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Net cash (used in) / from operating activities	39	**-13,729**	**15,689**
Operating cash flows from discontinued operations		*-1,955*	*2,180*
Operating cash flows from continuing operations		*-11,774*	*13,509*
Investing activities			
Purchases of patents and trademarks		-260	-330
Purchases of property, plant and equipment		-156	-3,770
Variation of deposits		-12	16
Acquisition of subsidiary net of cash acquired		-787	-943
Interest received		638	40
Net cash used in investing activities		**-577**	**-4,987**
Investing cash flows from discontinued operations		*28*	*-247*
Investing cash flows from continuing operations		*-605*	*-4,740*
Financing activities			
Repayment of lease liabilities		-503	-610
Purchase of own shares – net		-13	-29
Net cash used in financing activities		**-516**	**-639**
Financing cash flows from discontinued operations		*-142*	*-261*
Financing cash flows from continuing operations		*-374*	*-378*
Net (decrease) / increase in cash and cash equivalents		**-14,822**	**10,063**
Cash and cash equivalents at beginning of year		**101,746**	**91,765**
Effect of foreign exchange rate changes		49	-82
Cash and cash equivalents at end of year		**86,973**	**101,746**

NOTES TO THE ANNUAL ACCOUNTS

1. APPLICABLE ACCOUNTING STANDARDS

Novacyt is an international diagnostics business delivering a broad portfolio of *in vitro* and molecular diagnostic tests for a wide range of infectious diseases, enabling faster, more accurate, accessible testing to improve healthcare outcomes. The Company provides customers with a seamless sample-to-result workflow using its integrated and scalable instrumentation/solutions. The Company specialises in the design, manufacture, and supply of real-time PCR kits, reagents and a full range of laboratory and qPCR instrumentation for molecular biology research and clinical use. Novacyt offers one of the world's most varied and comprehensive range of qPCR assays, covering human, veterinary, biodefence, environmental, agriculture and food testing. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy-Villacoublay.

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as the **"Group"**). They are prepared and presented in Great British Pounds ("GBP"), rounded to the nearest thousand ("£'000s").

The 2022 consolidated financial statements were approved by the Board of Directors on 26 April 2023.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- Standards, interpretations and amendments to standards with mandatory application for the period beginning on or after 1 January 2022 had no material impact on Novacyt's consolidated financial statements at 31 December 2022. These are:
    - Amendment to IFRS 4 : Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
    - Amendment to IAS 16 regarding proceeds received before the intended use of an property, plant and equipment;
    - Amendment to IAS 37 about which costs to include for the purpose of assessing whether a contract is onerous;
    - Amendment to IFRS 3 about the criteria that activities and assets must meet to be considered as a business;
    - Improvement to IAS 41: disclosure of the method of calculating the fair value of agricultural assets;
    - Improvement to IFRS 1: treatment of the individual accounts of subsidiaries adopting IFRS for the first time;
    - Improvement to IFRS 9: consideration of fees and commissions for the derecognition of a financial liability; and
    - Improvement to IFRS 16 regarding rental incentives.

- Standards or interpretations not mandatorily applicable in 2022 that would be available for an early application.

    - Amendment to IAS 1: information to disclose regarding accounting principles and policies;

    - Amendment to IAS 8 regarding the definition of an accounting estimate; and

    - IFRS 17 – Insurance contracts.

The company has not adopted the standards and amendments listed above early.

The texts adopted by the European Union are available on the website of the European Commission.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial information has been prepared on the historical cost basis except in respect of those financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill (see note 16), the carrying amounts and useful lives of the other intangible assets (see note 17), deferred taxes (see note 20), trade receivables (see note 22) and provisions for risks and other provisions related to the operating activities (see note 29).

The accounting policies set out below have been applied consistently to all periods presented in the financial information.

Basis of consolidation

The financial information includes all companies under control. The Group does not exercise joint control or have significant influence over other companies. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Controlled companies are consolidated by the full consolidation method with recognition of non-controlling interests. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. The Group's scope of consolidation included the following companies, all fully consolidated when included in the scope.

Companies	At 31 December 2022		At 31 December 2021	
	Interest percentage	Consolidation method	Interest percentage	Consolidation method
Biotec Laboratories Ltd	100%	FC	100%	FC
IT-IS International Ltd	100%	FC	100%	FC
Lab21 Healthcare Ltd	100%	DO	100%	DO
Novacyt US Inc	100%	FC	100%	FC
Novacyt Inc	100%	FC	100%	FC
Microgen Bioproducts Ltd	100%	DO	100%	DO
Novacyt SA	100%	FC	100%	FC
Novacyt Asia Ltd	100%	FC	100%	FC
Novacyt China Ltd	100%	FC	100%	FC
Novacyt UK Holdings Ltd	100%	FC	100%	FC
Primer Design Ltd	100%	FC	100%	FC

Legend: FC: Full consolidation
DO: Discontinued operation

Consolidation methods

The consolidated historical financial information is prepared using uniform accounting policies for transactions and other similar events in similar circumstances.

- **Elimination of intercompany transactions**

The intercompany balances arising from transactions between consolidated companies, as well as the transactions themselves, including income, expenses and dividends, are eliminated.

- **Translation of accounts denominated in foreign currency**

The historical financial information is presented in £'000 GBP. The financial statements of companies whose functional currency is not GBP are translated into GBP as follows:

- Items in the statement of financial position are translated at the closing exchange rate, excluding equity items, which are stated at historical rates; and
- Transactions in the income statement and statement of cash flows are translated at the average annual exchange rate.

Translation differences on earnings and equity are recognised directly in other comprehensive income under "Translation reserves" for the portion attributable to the Group. On disposal of a foreign company, the translation differences relating thereto and recognised in other comprehensive income are reclassified to profit or loss.

Exchange differences arising from intragroup balances are recognised as exchange losses or gains in the consolidated income statement.

Discontinued operations and assets held for sale

A discontinued operation is a component that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

(c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented in the consolidated income statement as a single amount comprising the total of:

- The post-tax profit or loss of the discontinued operation,
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, and
- The post-tax gain or loss recognised on the disposal of assets or the disposal group making up the discontinued operation.

Where material, the analysis of the single amount is presented in the relevant note (see note 38).

In the statement of cash flows the net cash flow attributable to the operating, investing and financing activities of discontinued operations have been disclosed separately.

No adjustments have been made in the statement of financial position.

Comparatives for discontinued operations are restated.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2024. In making this assessment, the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2022 of £86,973,000;
- Payment of the Long-Term cash Incentive Plan ("LTIP") that commenced in 2021 and vests at the end of 2023; and
- The DHSC commercial dispute having a trial date set for June 2024.

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2023 up until April 2024.

Business combinations and measurement of goodwill

- **Business combinations**

Business combinations are accounted for using the purchase method (see IFRS 3).

Each time it acquires a company or group of companies constituting a business, the Group identifies and measures the assets acquired and liabilities assumed, most of which are carried at fair value. The difference between the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, and the net amount recognised in respect of the identifiable assets acquired and liabilities assumed measured at fair value, is recognised as goodwill.

Pursuant to IFRS 3, the Group applies the following principles:

- Transaction costs are recognised immediately as operating expenses when incurred;
- Any purchase price adjustment of an asset or a liability assumed is estimated at fair value at the acquisition date, and the initial assessment may only subsequently be adjusted against goodwill in the event of new information related to facts and circumstances existing at the acquisition date if this assessment occurs within the 12-month allocation period after the acquisition date. Any adjustment of the financial liability recognised in respect of an additional price subsequent to the intervening period or not meeting these criteria is recognised in the Group's comprehensive income;
- Any negative goodwill arising on acquisition is immediately recognised as income; and
- For step acquisitions, the achievement of control triggers the remeasurement at fair value of the interest previously held by the Group in profit or loss. Loss of control results in the remeasurement of the possible residual interest at fair value in the same way.

For companies acquired during the year, only the results for the period following the acquisition date are included in the consolidated income statement.

- **Measurement of goodwill**

Goodwill is broken down by cash-generating unit ("CGU") or group of CGUs, depending on the level at which goodwill is monitored for management purposes. In accordance with IAS 36, none of the CGUs or groups of CGUs defined by the Group are greater in size than an operating segment.

- **Impairment testing**

Goodwill is not amortised, but is subject to impairment testing when there is an indication of loss of value, and at least once a year at the reporting date.

Such testing consists of comparing the carrying amount of an asset to its recoverable amount. The recoverable amount of an asset, a CGU or a group of CGUs is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset, a CGU or a group of CGUs in an arm's length transaction between well-informed, willing parties, less the costs of disposal. Value in use is the present value of future cash flows expected to arise from an asset, a CGU or a group of CGUs.

It is not always necessary to determine both the fair value of an asset less costs to sell and its value in use. If either of these amounts exceeds the carrying amount of the asset, the asset is not impaired and it is not necessary to estimate the other amount.

Intangible fixed assets

- **Customer relationships**

In accordance with IFRS 3, the Group's acquisition of Primer Design and IT-IS International resulted in the recognition of the value of the acquired customer base on the statement of financial position. The value of these assets was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships are amortised on a straight-line basis over nine years, unless they are deemed to be impaired.

- **Trademark**

The acquisition price of Primer Design and IT-IS International by the Group has led to the recognition of a number of trademarks. The value of these assets has been determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

Trademarks are amortised on a straight-line basis over nine years, unless they are deemed to be impaired.

- **Other intangible assets**

Intangible assets include licences and patents recognised at cost and amortised over useful lives of between 7 and 20 years.

Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs).

Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis, with major components identified separately where appropriate, based on the following estimated useful lives:

- Leasehold improvements:	Straight-line basis – 2 to 15 years
- Trademarks:	Straight-line basis – 9 years
- Customer relationships:	Straight-line basis – 9 years
- Plant and machinery:	Straight-line basis – 3 to 6 years
- General fittings, improvements:	Straight-line basis – 3 to 5 years
- Transport equipment:	Straight-line basis – 5 years
- Office equipment:	Straight-line basis – 3 years
- Computer equipment:	Straight-line basis – 2 to 3 years

Any leased buildings, equipment or other leases that fall under the scope of IFRS 16 have been capitalised as a right-of-use asset and will be depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

The depreciation or amortisation of property, plant and equipment begins when they are ready for use and ceases at their disposal, scrapping or reclassification as assets held for sale in accordance with IFRS 5.

Given the nature of its assets, the Group does not recognise residual value on the items of property, plant and equipment it uses.

Depreciation and amortisation methods and useful lives are reviewed at each reporting date and revised prospectively if necessary.

Asset impairment

Depreciable and non-depreciable assets are subject to impairment testing when indications of loss of value are identified. In assessing whether there is any indication that an asset may be impaired, the Group considers the following external and internal indicators:

External indicators:

- Drop in the market value of the asset (to a greater extent than would be expected solely from the passage of time or the normal use of the asset);
- Significant changes with an adverse effect on the entity, either having taken place during the period or expected to occur in the near future, in the technical, economic or legal environment in which the Group operates or in which the asset is used; and
- Increases in market interest rates or other market rates of return during the year when it is likely that such increases will significantly reduce the market value and/or value in use of the asset.

Internal indicators:

- Existence of indication of obsolescence or physical damage of an asset unforeseen in the depreciation or amortisation schedule;
- Significant changes in the way the asset is used;
- Weaker-than-expected performance by the asset; and
- Significant reduction in the level of cash flow generated by the asset.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of future cash flows expected to flow from an asset over its estimated useful life.

The recoverable amount of assets that do not generate independent cash flows is determined by that of the CGU to which it belongs; a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

The carrying amount of an asset is its gross value less accumulated depreciation, for depreciable property, plant and equipment, and impairment losses.

In the event of loss of value, an impairment charge is recognised in the income statement. Impairment is reversed in the event of a change in the estimate of the recoverable value or if indications of loss of value disappear. Impairment is recognised under “Depreciation, amortisation and provisions for impairment of property, plant and equipment and intangible assets” in the income statement.

Intangible assets not subject to amortisation are tested for impairment at least once a year.

Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a lease liability at lease commencement for all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets.

- The Group records right-of-use assets at cost at the commencement date of the lease, which is the date the underlying asset is available for use, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities. Cost includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Group charges depreciation to the income statement on a straight-line basis over the shorter of the estimated useful life and the lease term.
- The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee’s incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes materials and supplies, and, where applicable, direct labour costs incurred in transforming them into their current state. It is calculated using the weighted average cost method. The recoverable amount represents the estimated selling price less any marketing, sales and distribution expenses.

The gross value of goods and supplies includes the purchase price and incidental expenses.

A provision for impairment, equal to the difference between the gross value determined in accordance with the above terms and the current market price or the realisable value less any proportional selling costs, is recognised when the gross value is greater than the other stated item.

Trade receivables

The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced, including external credit evaluations where possible. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of senior management. Outstanding debts are continually monitored by each division. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the Group's benchmark creditworthiness may only transact with the Group on a prepayment basis.

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. Trade receivables in foreign currency are transacted in their local currency and subsequently revalued at the end of each reporting period, with any foreign exchange differences being recognised in the income statement as an income/expense.

The allowance for doubtful debts is recognised based on Management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model). Through implementation of IFRS 9, the Group concluded that no real historical default rate could be determined due to a low level of historical write offs across the business. The Group therefore recognises an allowance for doubtful debts on the basis of invoice ageing. Once an invoice is overdue from its due date, based on agreed credit terms, by more than 90 days, this invoice is then more likely to default than those invoices operating within 90 days of their due date. As such, these invoices will be provided for in full as part of an expected credit loss model, except where Management have reviewed and judged otherwise.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 365 days of the original due date.

Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash funds, current bank accounts and marketable securities (cash Undertakings for Collective Investment in Transferable Securities ("UCITS"), negotiable debt securities, etc) that can be liquidated or sold within a very short time (generally with original maturities of three months or less) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in the income statement.

Financial liabilities

The Group records bank and other borrowings initially at fair value, which equals the proceeds received, net of direct issue costs, and subsequently at amortised cost. The Group accounts for finance charges, including premiums payable on settlement or redemption and direct issue costs, using the effective interest rate method.

- IT-IS International Ltd contingent consideration

The Group negotiated a contingent consideration for the acquisition of the IT-IS International securities with its former shareholders in 2020, subject to the achievement of a production volume target.

In accordance with IFRS 9, the financial liability has been remeasured at its fair value as of the statement of financial position date.

- Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the statement of financial position when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the statement of financial position at fair value on initial recognition, except if settlement is to occur more than 12 months after recognition. In such cases, they are measured using the amortised cost method. The use of the effective interest rate method will result in the recognition of a financial expense in the income statement. Trade and other payables are eliminated from the statement of financial position when the corresponding obligation is discharged.

Trade payables have not been discounted, because the effect of doing so would be immaterial.

Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Group has a current obligation as of the reporting date in respect of a third party and it is probable or certain that there will be an outflow of resources to this third party, without at least equivalent consideration from the said third party. Provisions for risks and charges cover the amount corresponding to the best estimate of the future outflow of resources required to settle the obligation.

The provisions are for the restoration of leased premises, risks related to litigations and product warranties.

Long-Term Incentive Plan

Novacyt granted shares to certain employees under a LTIP adopted on 1 November 2017. The exercise price was set at the share price on the grant date and the options were settled in cash. The options fully vested on the third anniversary of the grant date, 1 November 2020. The payment expenses were calculated in accordance with IFRS 2 "Share-based Payment".

The accounting charge has been spread across the vesting period to reflect the services received and a liability was recognised in the statement of financial position. The final tranches were settled in 2022 and the scheme has now been fully settled.

In December 2021, Novacyt implemented a cash LTIP to qualifying employees, based on achieving certain annual EBITDA targets over a three-year qualifying period. The plan will vest on the third anniversary of the grant date and will be settled in cash.

In February 2022, a Performance Share Awards programme for executive management was created as part of its new LTIP. This LTIP replaced the previous phantom share award scheme which ended in November 2020.

The 2022 Performance Share Awards programme is structured as nil-cost options, giving a right to acquire a specified number of shares at a nil exercise price per share (i.e. for no payment) in accordance with the rules, governed by sections L-225-197-1 and seq. of the French Commercial Code (“actions gratuites").

The awards will vest over a three-year performance period, starting 1 January 2022 and ending on 31 December 2024, subject to the Company achieving certain total shareholder return growth conditions. The baseline for total shareholder return is based on the average closing price of the Company’s shares in December 2021, which was £3.54. This will be compared to the equivalent figure in December 2024.

Consolidated revenue

IFRS 15 “Revenue from Contracts with Customers” establishes a principles-based approach to recognising revenue only when performance obligations are satisfied, and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue, and cash flows arising from contracts with customers. IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards:

- Step 1 – Identify the contract(s) with a customer
- Step 2 – Identify the performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

The Group principally satisfies its performance obligations at a point in time and revenue recognised relating to performance obligations satisfied over time is not significant. As such, revenue is generally recognised at the point of sale, with little judgement required in determining the timing of transfer of control.

Some contracts with customers contain a limited assurance warranty that is accounted for under IAS 37 (see Provisions accounting policy). If a repair or replacement is not possible under the assurance warranty, a full refund of the product price may be given. The potential refund liability represents variable consideration.

Under IFRS 15.53, the Group can use either:

- The expected value (sum of probability weighted amounts); or
- The most likely amount (generally used when the outcomes are binary).

The method used is not a policy choice. Management use the method that it expects will best predict the amount of consideration based on the terms of the contract. The method is applied consistently throughout the contract. Variable revenue is constrained if appropriate. IFRS 15 requires that revenue is only included to the extent that it is highly probable that there will not be a significant reversal in future periods.

In making this assessment, Management have considered the following factors (which are not exclusive):

- If the amount of consideration is highly susceptible to factors outside the Group’s influence;
- Whether the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group’s experience (or other evidence) with similar types of contract;
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
- The contract has a large number and broad range of possible consideration amounts.

The decision as to whether revenue should be constrained is considered to be a significant judgement as the term ‘highly probable’ is not defined in IFRS 15, Management consider highly probable to be significantly more likely than probable.

- **Primer Design**

Primer Design Ltd is a designer, manufacturer and marketer of molecular ‘real-time’ qPCR testing devices and reagents in the area of infectious diseases based in Eastleigh, UK.

Revenue is recognised upon delivery of products sold and, where appropriate, after formal customer acceptance.

- **IT-IS International**

IT-IS International Ltd is a diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry.

Revenue is recognised upon delivery of products sold and, where appropriate, after formal customer acceptance.

- **Lab21 Products**

Lab21 Healthcare Ltd and Microgen Bioproducts Ltd were a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products.

Revenue was recognised upon delivery of products sold and, where appropriate, after formal customer acceptance.

Microgen Bioproducts and Lab21 Healthcare ceased trading during 2022 and they are being treated as discontinued operations.

Taxation

Income tax on profit or loss for the period comprises current and deferred tax.

- Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is the result of the Group's judgement based on the advice of external tax professionals and supported by previous experience in respect of such activities.

- Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences in the near-term.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the near-term.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

UK Patent Box regime

The UK Patent Box regime is a special low corporate tax rate used to incentivise research and development by taxing revenues from patented products differently from other revenues. On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current UK corporation tax rate of 19%.

The effective tax rate is given via a tax deduction and due to the uncertainty over the precise timing of the tax relief available to the company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

Research and development expenditure credits

Primer Design Ltd and IT-IS International Ltd benefit from a R&D expenditure credit in respect of some of their research activities. The tax credit is calculated per financial year as 13% of the actual expenditure and is shown in the income statement against governmental subsidies. The credit is taxable and therefore the tax charge on this credit is included in the tax line of the income statement.

Profit/loss per share

The Group reports basic and diluted profit/loss per ordinary share. Basic profit/loss per share is calculated by dividing the profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.
Diluted profit/loss per share is determined by adjusting the profit/loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, taking into account the effects of all potential dilutive ordinary shares, including options.

Exceptional items

Exceptional items are those costs or incomes that in the view of the Board of Directors, require separate disclosure by virtue of their size or incidence, and are charged or credited in arriving at operating profit on the face of the consolidated income statement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

- **Constraint of revenue**

Revenue is only constrained if it is highly probable there will not be a significant reversal of revenue in the future. Highly probable is not defined in IFRS 15 and so it is a significant judgement to be exercised by Management. The value of revenue related to performance obligations fulfilled in 2020 to which constraint has not been applied is £130,642,000 and relates to the DHSC dispute, further details are disclosed in note 44.

- **Measurement and useful lives of intangible assets**

Other intangible assets (except for goodwill) are considered to have a finite economic useful life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made.

The main intangible assets requiring estimates and assumptions are the trademarks and the customer relationships identified as a result of the acquisition of Primer Design, and IT-IS International.

The value of the intangible assets is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

- **Trademarks**

The value of these assets was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

Trademarks are amortised on a straight-line basis over a period of nine years, estimated as their useful life. They are also tested for impairment at least annually. Their recoverable amount is determined using forecasts of future cash flows. The total amount of anticipated cash flows reflects Management's best estimate of the future benefits and liabilities expected from the operation of the trademark. The resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.

The carrying amount of trademarks at 31 December 2022 is £791,000 (2021: £938,000). The amortisation charge for the period is £156,000 (2021: £157,000) and the cumulative amortisation is £636,000 (2021: £458,000).

- **Customer relationships**

The value of these assets was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships are amortised on a straight-line basis over a period of nine years, estimated as their useful life. They are also tested for impairment at least annually. Their recoverable amount is determined using forecasts of future cash flows over an estimated period of time. The total amount of anticipated cash flows reflects Management's best estimate of the future benefits and liabilities expected from customer relationships. The resulting estimates are subject to assumptions in respect of the discount rate, additional margin generated by customers after remuneration of contributing assets and useful lives.

The carrying amount of customer relationships at 31 December 2022 is £1,888,000 (2021: £2,339,000). The amortisation charge for the period is £501,000 (2021: £502,000) and the cumulative amortisation is £2,733,000 (2021: £2,113,000).

- **Deferred taxes**

Deferred tax assets are only recognised to the extent that it is considered probable that the Group will have future taxable profits against which the corresponding temporary difference can be offset. Deferred tax assets are reviewed at each reporting date and derecognised if it is no longer probable there will be taxable profits against which the deductible temporary differences can be utilised.

For deferred tax assets on tax losses carried forward, the Group uses a multi-criteria approach that takes into account the recovery timeframe based on the strategic plan, but which also factors in the strategy for the long-term recovery of tax losses in each country.

Deferred tax liabilities relate to the assets acquired as part of the IT-IS International acquisition and accelerated capital allowances.

- **Trade and other receivables**

An estimate of the risks of non-receipt based on commercial information, current economic trends and the solvency of individual customers is made to determine the need for impairment on a customer-by-customer basis. Management use significant judgement in determining whether a credit loss provision is required.

At the year end, the Group had trade receivables of £25,485,000 against which a credit loss provision of £214,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2022 receivables, relating to products delivered during 2020, were overdue due to the contract dispute with the Department of Health and Social Care "DHSC" (see notes 44 and 45). Management considers it to be more likely than not that the 31 December 2022 balances are recoverable; this is a significant judgement.

- **Provisions**

The carrying value of provisions at 31 December 2022 and 2021 are as per the table below:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Provisions for restoration of premises	425	308
Provision for litigation	157	157
Provisions for product warranty	19,813	19,799
Total provisions	**20,395**	**20,264**

- **Provisions for restoration of premises**

The value of provision required is determined by Management on the basis of available information, experience and, in some cases, expert estimates. When these obligations are settled, the amount of the costs or penalties that are ultimately incurred or paid may differ significantly from the amounts initially provisioned. Therefore, these provisions are regularly reviewed and may have an effect on the Group's future results.

To the Group's knowledge, there is no indication to date that the parameters adopted as a whole are not appropriate, and there are no known developments that could significantly affect the amount of provision.

- **Provisions for product warranty**

The value of provision required is determined by Management based on available information, experience and, in some cases, expert estimates. Product warranty provisions are only included if it is considered to be probable that an outflow of economic benefit will be required. Determination of probable is a significant judgement especially in light of the dispute described in notes 44 and 45.

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty. Of these items, only the measurement of goodwill (see note 16) is considered likely to result in a material adjustment. Where there are other areas of estimates these have been deemed not material.

- **Measurement of goodwill**

Goodwill is tested for impairment on an annual basis. The recoverable amount of goodwill is determined mainly on the basis of forecasts of future cash flows. The total amount of anticipated cash flows reflects Management's best estimate of the future benefits and liabilities expected for the relevant CGU. The assumptions used and the resulting estimates sometimes cover very long periods, taking into account the technological, commercial and contractual constraints associated with each CGU. These estimates are mainly subject to assumptions in terms of volumes, selling prices and related production costs, and the exchange rates of the currencies in which sales and purchases are denominated. They are also subject to the discount rate used for each CGU.

The value of the goodwill is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

The carrying amount of goodwill in the statement of financial position and related impairment loss over the period is shown below:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Goodwill Primer Design	6,384	6,053
Cumulative impairment of goodwill	-	-
Net value	6,384	6,053
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-9,175	-4,019
Net value	262	5,418
Total goodwill	**6,646**	**11,471**

Sensitivity analysis has been performed on the goodwill balance. There is significant headroom associated with the Primer Design balance, but there is limited headroom on the IT-IS International goodwill balance, which could result in future impairments. The goodwill sensitivity analysis is presented in note 16.

- **Litigations**

The Group may be party to regulatory, judicial or arbitration proceedings which may have an impact on the Group's financial position.
The Group's Management regularly reviews current proceedings, their progress and assesses the need to establish appropriate provisions or to change their amount if the occurrence of events during the course of the proceedings necessitates a reassessment of the risk. Internal or external advisors are involved in determining the costs that may be incurred.

The decision to set aside provisions to cover a risk and the amount of such provisions are based on the risk assessment on a case-by-case basis, Management's assessment of the unfavourable nature of the outcome of the proceeding in question (probability) and the ability to reliably estimate the associated amount.

5. REVENUE

The table below shows revenue on a geographical basis:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Geographical area		
United Kingdom	10,123	42,108
Europe (excluding UK)	3,849	31,400
America	4,481	8,829
Asia-Pacific	1,852	8,638
Middle East	377	518
Africa	358	1,110
Total revenue	**21,040**	**92,603**

Revenue has fallen year on year as a result of COVID-19 sales reducing as the demand for tests has fallen.

During 2021, £40,861,000 (excluding VAT) of product and services were delivered and invoiced to the DHSC which has now been included as part of the ongoing dispute. Management have made the judgement that per IFRS 15, Revenue from Contracts with Customers, it is not appropriate at this stage to recognise as revenue, any sales invoices raised to the customer in 2021 that are in dispute. However, Management remains committed to obtaining payment for these products and services.

This accounting treatment does not change the Group's legal position or rights in relation to the dispute with the DHSC.

A portion of the Group's revenue is generated in foreign currencies (particularly in Euros and US Dollars). The Group has not hedged against the associated currency risk.

The breakdown of revenue by operating segment and geographical area is presented in note 6.

6. OPERATING SEGMENTS

Segment reporting

Pursuant to IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the Group's Chief Executive to make decisions regarding the allocation of resources to the segment and to assess its performance; and
- for which discrete financial information is available.

The Group has identified four operating segments, whose performance and resources are monitored separately. Following the Group's announcement to discontinue the Microgen Bioproducts and Lab21 Healthcare businesses earlier this year, the Lab21 Products segment, which is made up of these businesses, is being treated as a discontinued operation:

- **Primer Design**

This segment represents the activities of Primer Design Ltd, which is a designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the area of infectious diseases based in Eastleigh, UK.

- **IT-IS International**

This segment represents the activities of IT-IS International Ltd, a diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry based in Stokesley, UK.

- **Lab21 Products**

This segment represents the activities of Lab21 Products, which was a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products covering Microgen Bioproducts Ltd and Lab21 Healthcare Ltd, both based in Camberley, UK. As these businesses ceased trading in June 2022, this segment is being treated as a discontinued operation.

- **Corporate**

This segment represents Group central/corporate costs. Where appropriate, costs are recharged to individual business units via a management recharge process.

- **Intercompany eliminations**

This represents intercompany transactions across the Group that have not been allocated to an individual operating segment. It is not a discrete segment.

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

The average headcount by segment is presented in the table below:

Segment	2022	2021
Primer Design	141	169
Lab21 Products	21	45
IT-IS International	31	38
Corporate	29	24
Total headcount	**222**	**276**

Breakdown of revenue by operating segment and geographical area

- Year ended 31 December 2022

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	10,051	72	10,123
Europe (excluding UK)	3,372	477	3,849
America	4,134	347	4,481
Asia-Pacific	1,373	479	1,852
Middle East	347	30	377
Africa	357	1	358
Total revenue	**19,634**	**1,406**	**21,040**

There were no sales in France in 2022.

- Year ended 31 December 2021

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	41,944	164	42,108
Europe (excluding UK)	31,045	355	31,400
America	8,047	782	8,829
Asia-Pacific	7,262	1,376	8,638
Middle East	501	17	518
Africa	1,053	57	1,110
Total revenue	**89,852**	**2,751**	**92,603**

There were sales totalling £262,000 in France in 2021 contained within the line Europe (excluding UK).

Breakdown of result by operating segment

- Year ended 31 December 2022

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	19,634	-	1,417	-	-11	21,040
Cost of sales	-14,710	-	-2,026	-	1,442	-15,294
Sales and marketing costs	-4,231	-	-321	-274	-	-4,826
Research and development	-4,458	-	-589	-	-	-5,047
General and administrative	-7,668	-	-1,046	-1,261	-	-9,975
Governmental subsidies	490	-	72	-	-	562
Earnings before interest, tax, depreciation and amortisation as per management reporting	**-10,943**	**-**	**-2,493**	**-1,535**	**1,431**	**-13,540**
Depreciation and amortisation	-1,699	-	-405	-44	33	-2,115
Operating (loss) / profit before exceptional items	**-12,642**	**-**	**-2,898**	**-1,579**	**1,464**	**-15,655**

- Year ended 31 December 2021

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	89,856	-	9,270	-	-6,523	92,603
Cost of sales	-27,582	-	-5,131	-	4,106	-28,607
Cost of sales - exceptional	-37,192	-	-3,984	-	5,406	-35,770
Sales and marketing costs	-5,659	-	-228	-338	-	-6,225
Research and development	-4,148	-	-497	-	-	-4,645
General and administrative	-12,439	-	-1,493	-637	-	-14,569
Governmental subsidies	254	-	54	-	-	308
ADJUSTED Earnings before interest, tax, depreciation, amortisation and cost of sales – exceptional, as per management reporting	40,282	-	1,975	-975	-2,417	38,865
Earnings before interest, tax, depreciation and amortisation as per management reporting	**3,090**	**-**	**-2,009**	**-975**	**2,989**	**3,095**
Depreciation and amortisation	-1,372	-	-404	-24	10	-1,790
Operating profit / (loss) before exceptional items	**1,718**	**-**	**-2,413**	**-999**	**2,999**	**1,305**

Assets and liabilities are not reported to the Chief Operating Decision Maker on a segmental basis and are therefore not disclosed.

Please note that in accordance with IFRS 5 the results of the Lab21 Products segment for 2022 and 2021 have been reported on a separate line 'Loss from discontinued operations' which is shown below EBITDA and thus all items above EBITDA have a nil value.

7. COST OF SALES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Cost of inventories recognised as an expense	17,509	20,373
Change in stock provision	-6,473	-10,404
Freight costs	73	405
Direct labour	4,141	17,624
Product warranty	14	11
Other	30	598
Total cost of sales	**15,294**	**28,607**

Total cost of sales has fallen year on year reflecting the reduction in sales.

In 2022 the stock provision relating to continuing operations decreased by a net £6,473,000 (2021: £10,404,000). A large amount of stock, which had previously been provided for, was written off and disposed of during 2022, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

Direct labour (including subcontractor costs) has decreased year on year as a result of scaling back production to align to lower sales.

A large amount of stock, which had previously been provided for, was written off and disposed of during 2021, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

8. COST OF SALES - EXCEPTIONAL

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Cost of inventories recognised as an expense	-	4,802
Change in stock provision	-	26,098
Direct labour	-	4,133
Other	-	737
Total cost of sales - exceptional	**-**	**35,770**

During 2022 no costs were classified as cost of sales - exceptional relating to the DHSC dispute.

Due to the DHSC dispute mentioned in note 44, Management booked a number of one-off, non-recurring cost of sales charges in 2021. Two of the key items were a £26,098,000 stock provision, as a result of the Group buying stock to fulfil expected future DHSC orders that did not materialise, and the expensing of £6,884,000 of stock delivered to the DHSC which has not been paid for as it is now included in the ongoing contract dispute.

9. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Advertising expenses	459	743
Distribution expenses	258	539
Employee compensation and social security contributions	3,606	4,519
Travel and entertainment expenses	184	107
Other sales and marketing expenses	319	317
Total sales, marketing and distribution expenses	**4,826**	**6,225**

Labour costs have reduced year on year as a result of the restructuring programme undertaken by the Group in 2022 to reduce its cost base.

10. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Employee compensation and social security contributions	2,704	2,756
Other expenses	2,343	1,889
Total research and development expenses	**5,047**	**4,645**

Other expenses includes R&D consumables, non-capitalised development costs and quality control/assurance expenses that supported the launch and development of new products.

11. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Purchases of non-stored raw materials and supplies	323	376
Lease and similar payments	477	397
Maintenance and repairs	370	499
Insurance premiums	1,024	1,451
Legal and professional fees	1,622	2,404
Banking services	55	88
Employee compensation and social security contributions	5,144	7,890
Depreciation and amortisation of property, plant and equipment and intangible assets	2,115	1,790
Other general and administrative expenses	960	1,464
Total general and administrative expenses	**12,090**	**16,359**

Legal and professional fees include advisors' fees, audit fees and legal fees.

Labour costs have reduced year on year predominantly as a result of the restructuring programming undertaken by the Group in 2022 to reduce its cost base.

Depreciation and amortisation of property, plant and equipment and intangible assets increased in 2022 due to the annualised effect of reporting twelve months of depreciation on a number of material asset additions during late 2021.

Other general and administrative expenses include costs such as building rates, regulatory fees and IT expenses. 2021 included approximately £500,000 charitable donations.

12. OTHER OPERATING INCOME AND EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Other operating income	-	65
Total other operating income	**-**	**65**
Impairment of IT-IS International goodwill	-5,156	-4,019
DHSC contract dispute costs	-927	-802
Restructuring expenses	-1,255	-422
Acquisition related expenses	-325	-
Other expenses	-75	-43
Total other operating expenses	**-7,738**	**-5,286**

Operating income

Other operating income in 2021 predominantly relates to the settlement of a legal claim against a third party.

Operating expenses

Goodwill associated with the IT-IS International Ltd acquisition was impaired in 2022 and 2021 due to reduced future expected cash flow generation.

DHSC contract dispute costs relate to legal and professional fees and product storage costs incurred in the ongoing commercial dispute.

Restructuring expenses have increased in 2022 driven by the Group restructuring programme.

Acquisition related expenses primarily include costs associated with potential merger and acquisition targets.

13. FINANCIAL INCOME AND EXPENSE

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Financial foreign exchange gains	2,506	337
Discount of financial instruments	3	33
Interest received from discontinued operations	779	363
Other financial income	681	54
Total financial income	**3,969**	**787**
Interest on IFRS 16 liabilities	-45	-66
Financial foreign exchange losses	-139	-2,214
Discount of financial instruments	-31	-54
Interest paid to discontinued operations	-413	-150
Other financial expense	-1	-47
Total financial expense	**-629**	**-2,531**

Financial foreign exchange gains and losses are driven by revaluations of the LTIP liability and bank and intercompany accounts held in foreign currencies.

Interest received from or paid to discontinued operations relates to interest on intercompany balances with Microgen Bioproducts Ltd and Lab21 Healthcare Ltd.

Other financial income relates to interest received on cash balances.

14. INCOME TAX

The standard rate of corporation tax applied to reported profit is 19%, which is the tax rate applicable to the companies in the United Kingdom for the financial year 2022 (due to rise to 25% on 1 April 2023). It was 19% for the year 2021.

Taxation for other jurisdictions (mainly France) is calculated at the rates prevailing in the respective jurisdictions.

The Group's tax charge is the sum of the total current and deferred tax.

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Current tax expense		
Current year (expense) / income	-224	411
Deferred tax expense		
Deferred tax expense	-1,924	-760
Total taxation expense in the income statement	**-2,148**	**-349**

The expense for the period can be reconciled to the loss before tax as follows:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Loss before taxation	**-20,053**	**-5,660**
Tax at the UK corporation tax rate (2022 and 2021: 19%)	3,810	1,075
Effect of different tax rates of subsidiaries operating in other jurisdictions	95	115
Change of the tax rate for the calculation of the deferred tax	3,571	-
Effect of non-deductible expenses and non-taxable income	-1,224	-822
Derecognition of deferred tax assets	-8,047	-
Change in unrecognised deferred tax assets	-287	-712
Other adjustments	-66	-5
Total taxation expense for the year	**-2,148**	**-349**

At 31 December 2022, the Group has unused tax losses of £70,909,000 (2021: £9,432,000) available for offset against future relevant profits and their period of use is unlimited.

The key item making up the non-deductible expenses in 2022 and 2021 is the impairment of goodwill.

Matters affecting the tax charge

On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current UK corporation tax rate of 19%.

The effective tax rate is given via a tax deduction and due to the uncertainty over the precise timing of the tax relief available to the Company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

15. LOSS PER SHARE

The loss per share is calculated based on the weighted average number of shares outstanding during the period. The diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments. At 31 December 2022 there are no outstanding dilutive instruments.

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Net loss attributable to owners of the Company	-25,730	-9,728
Impact of dilutive instruments	-	-
Net diluted loss attributable to owners of the Company	-25,730	-9,728
Weighted average number of shares	70,626,248	70,626,248
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	70,626,248	70,626,248
Loss per share (£)	**-0.36**	**-0.14**
Diluted loss per share (£)	**-0.36**	**-0.14**
Loss per share from continuing operations (£)	*-0.31*	*-0.09*
Diluted loss per share from continuing operations (£)	*-0.31*	*-0.09*
Loss per share from discontinued operations (£)	*-0.05*	*-0.05*
Diluted loss per share from discontinued operations (£)	*-0.05*	*-0.05*

16. GOODWILL

Goodwill is the difference recognised, upon consolidation of a company, between the fair value of the purchase price of its shares and the net assets acquired and liabilities assumed, measured in accordance with IFRS 3.

Cost	**£'000**
At 1 January 2021	31,982
Exchange differences	-1,624
At 31 December 2021	30,358
Exchange differences	1,144
At 31 December 2022	31,502
Accumulated impairment losses	
At 1 January 2021	14,105
Impairment of the IT-IS International goodwill	4,019
Impairment of the Lab21 Products goodwill	1,822
Exchange differences	-1,059
At 31 December 2021	18,887
Impairment of the IT-IS International goodwill	5,156
Exchange differences	813
At 31 December 2022	24,856
Carrying value at 31 December 2020	**17,877**
Carrying value at 31 December 2021	**11,471**
Carrying value at 31 December 2022	**6,646**

Primer Design

The impairment testing of the CGU as at 31 December 2022 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

The implementation of this approach demonstrated that the value in use amounted to £36,112,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2022.

Sensitivity of the value derived from the discounted cash flow model to changes to the assumptions used for the Primer Design acquisition

WACC rates	Terminal growth rates						
36,112	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
8.0%	53,908	57,323	61,226	65,729	70,983	77,192	84,643
9.0%	46,640	49,233	52,151	55,457	59,236	63,597	68,684
10.0%	40,857	42,880	45,127	47,639	50,465	53,667	57,327
11.0%	36,153	37,765	39,538	41,498	43,675	46,109	48,846
12.0%	32,258	33,565	34,991	36,553	38,272	40,171	42,281
12.1%	31,905	33,186	34,583	36,112	37,792	39,646	41,705
13.0%	28,983	30,059	31,225	32,493	33,875	35,389	37,055
14.0%	26,196	27,093	28,059	29,103	30,233	31,462	32,802
15.0%	23,797	24,553	25,363	26,233	27,171	28,183	29,279

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on changes in the discount rate (WACC) and the terminal growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would not result in the need to impair the Primer Design goodwill.

IT-IS International

The impairment testing of the CGU as at 31 December 2022 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

The implementation of this approach demonstrated that the value in use amounted to £1,992,000, which is lower than the carrying amount of this asset. As such an impairment charge has been recognised in the year ended 31 December 2022 due to reduced future expected revenue generation.

Sensitivity of the value derived from the discounted cash flow model to changes to the assumptions used for the IT-IS International acquisition

WACC rates	Terminal growth rates						
1,992	0.0%	1.0%	1.25%	1.5%	1.75%	2.0%	3.0%
8.0%	3,281	3,826	3,988	4,162	4,350	4,553	5,571
9.0%	2,749	3,160	3,279	3,406	3,542	3,687	4,391
10.0%	2,327	2,645	2,736	2,833	2,935	3,043	3,554
11.0%	1,986	2,238	2,309	2,384	2,463	2,546	2,931
12.0%	1,704	1,908	1,964	2,024	2,086	2,152	2,451
12.1%	1,679	1,878	1,934	1,992	2,053	2,117	2,408
13.0%	1,468	1,635	1,681	1,730	1,780	1,833	2,070
14.0%	1,269	1,407	1,446	1,485	1,526	1,569	1,761
15.0%	1,098	1,214	1,246	1,279	1,314	1,349	1,506

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on changes in the discount rate (WACC) and the terminal growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would result in the need to further impair the IT-IS International goodwill.

17. OTHER INTANGIBLE ASSETS

Amounts in £'000	Customer relationships	Trademarks	Development costs	Patents	Other	Total
Cost						
At 1 January 2021	5,005	1,486	277	89	260	7,117
Acquisitions	–	–	–	300	30	330
Other disposals	-313	-47	–	-5	-59	-424
Foreign exchange impact	-240	-43	–	–	-4	-287
At 31 December 2021	4,452	1,396	277	384	227	6,736
Acquisitions	–	–	–	74	188	262
Other disposals	–	–	-80	-149	-65	-294
Foreign exchange impact	169	31	–	–	1	201
At 31 December 2022	**4,621**	**1,427**	**197**	**309**	**351**	**6,905**
Amortisation						
At 1 January 2021	-2,055	-372	-153	-54	-228	-2,862
Amortisation for the year	-502	-157	-55	-3	-21	-738
Other disposals	313	47	–	–	55	415
Foreign exchange impact	131	24	–	–	4	159
At 31 December 2021	-2,113	-458	-208	-57	-190	-3,026
Amortisation for the year	-501	-156	-46	-21	-41	-765
Other disposals	–	–	80	4	65	149
Foreign exchange impact	-119	-22	–	–	-1	-142
At 31 December 2022	**-2,733**	**-636**	**-174**	**-74**	**-167**	**-3,784**
Net book value						
At 1 January 2021	2,950	1,114	124	35	32	4,255
At 31 December 2021	2,339	938	69	327	37	3,710
At 31 December 2022	**1,888**	**791**	**23**	**235**	**184**	**3,121**

18. PROPERTY, PLANT AND EQUIPMENT

Amounts in £'000	Leasehold improvements	Plant and machinery	Fixtures and fittings	Total
Cost				
At 1 January 2021	877	1,793	762	3,432
Acquisitions	375	3,104	291	3,770
Other disposals	-85	-270	-65	-420
Reclassifications	127	–	-127	–
At 31 December 2021	1,294	4,627	861	6,782
Acquisitions	31	93	32	156
Other disposals	-575	-811	-380	-1,766
At 31 December 2022	**750**	**3,909**	**513**	**5,172**
Depreciation				
At 1 January 2021	-421	-971	-397	-1,789
Depreciation for the year	-135	-518	-159	-812
Other disposals	81	270	62	413
Reclassifications	-9	–	9	–
At 31 December 2021	-484	-1,219	-485	-2,188
Depreciation for the year	-531	-866	-202	-1,599
Other disposals	575	454	337	1,366
At 31 December 2022	**-440**	**-1,631**	**-350**	**-2,421**
Net book value				
At 1 January 2021	456	822	365	1,643
At 31 December 2021	810	3,408	376	4,594
At 31 December 2022	**310**	**2,278**	**163**	**2,751**

Other disposals in 2022 include over £1,200,000 of property, plant and equipment associated with the Camberley site that was vacated in late 2022, due to the closure of Lab21 Products, and over £390,000 of laboratory equipment no longer of use to the Novacyt Group.

19. RIGHT-OF-USE ASSETS

Amounts in £'000	Land and buildings	Plant and machinery	Total
Cost			
At 1 January 2021	2,745	54	2,799
Additions	148	–	148
Disposals	-225	-15	-240
Policy adjustment	-3	–	-3
At 31 December 2021	2,665	39	2,704
Additions	153	8	161
Disposals	-1,359	-29	-1,388
Reclassifications	10	–	10
At 31 December 2022	**1,469**	**18**	**1,487**
Depreciation			
At 1 January 2021	-507	-33	-540
Depreciation for the year	-443	-10	-453
Disposals	67	12	79
Policy adjustment	-2	–	-2
At 31 December 2021	-885	-31	-916
Depreciation for the year	-1,415	-13	-1,428
Disposals	1,359	29	1,388
Reclassifications	-10	–	-10
At 31 December 2022	**-951**	**-15**	**-966**
Net book value			
At 1 January 2021	2,238	21	2,259
At 31 December 2021	1,780	8	1,788
At 31 December 2022	**518**	**3**	**521**

The large 2022 reduction is due to Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley. This was agreed in 2022 and settled in early 2023.

20. DEFERRED TAX ASSETS AND LIABILITIES

The table below shows the movements in deferred tax assets and liabilities during the reporting period:

Amounts in £'000	Accelerated capital allowances	Intangible assets	Intra-Group profit	Long-term incentive plan	Tax losses	Other temporary differences	Total
At 1 January 2021	-238	-489	897	2,125	-	-73	2,222
Credit / (charge) to "Discontinued operations"	-30	-	-	-	487	-	457
(Charge) / credit to income statement	-512	47	-569	-	170	104	-760
At 31 December 2021	-780	-442	328	2,125	657	31	1,919
(Charge) / credit to "Discontinued operations"	68	-	-	-	-480	-	-412
(Charge) / credit to income statement	66	47	-328	-2,125	447	-31	-1,924
At 31 December 2022	**-646**	**-395**	**-**	**-**	**624**	**-**	**-417**

At 31 December 2022, deferred tax liabilities amounting to £646,000 (2021: £780,000) reflect the tax advantage from investments in fixed assets that is obtained in advance of depreciation charges.

At 31 December 2022, deferred tax liabilities amounting to £395,000 (2021: £442,000) result from the recognition of brand and customer relationships intangible assets as part of the October 2020 IT-IS International acquisition.

Primer Design has recognised a £624,000 deferred tax asset relating to carried forward tax losses to offset its £624,000 deferred tax liability on accelerated capital allowances, leaving Primer Design with a £nil deferred tax balance at the reporting date. The remaining deferred tax assets have not been recognised at 31 December 2022 on the basis that they may not be recoverable in the near-term.

The £2,125,000 deferred tax asset balance at 31 December 2021 related to the portion of the Long-Term Incentive Plan charge that was recognised by Novacyt UK Holdings in 2020, but was not deducted for taxation until payments were made in 2022.

Deferred tax assets and liabilities are recognised on the statement of financial position as follows:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Deferred tax assets	624	3,141
Deferred tax liabilities	-1,041	-1,222
Net deferred tax (liabilities) / assets	**-417**	**1,919**

The following table shows the deferred tax assets not presented in the statement of financial position:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Novacyt SA	2,299	990
Novacyt UK Holdings	3,645	-
Lab21 Healthcare	-	1,368
IT-IS International	725	-
Primer Design	10,623	-
Total unrecognised deferred tax assets	**17,293**	**2,358**

21. INVENTORIES AND WORK IN PROGRESS

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Raw materials	8,562	19,382
Work in progress	2,854	3,350
Finished goods	3,404	7,831
Stock provisions	-11,793	-19,102
Total inventories and work in progress	**3,027**	**11,461**

Total inventories and work in progress has reduced significantly since December 2021, predominantly as a result of providing for, writing off and disposing of stock that had either expired or is deemed excess stock as a result of lower future forecasted COVID-19 sales.

Stock provisions have fallen as a result of provided for stock being written off and disposed of during 2022.

22. TRADE AND OTHER RECEIVABLES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Trade and other receivables	25,485	30,279
Expected credit loss provision	-214	-89
Tax receivables – Value Added Tax	8,312	8,213
Receivables on sale of businesses	69	66
Other receivables	10	30
Total trade and other receivables	**33,662**	**38,499**

Trade receivables have decreased since 31 December 2021 in line with falling monthly sales.

The trade receivables balance includes a £23,957,000 unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020, that remains unpaid at the date of publishing the annual accounts. Recovery of the invoice is dependent on the outcome of the contract dispute.

During 2021, £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which has now been included as part of the ongoing dispute. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed. This accounting treatment does not change the Group's legal position or rights in relation to the dispute with the DHSC.

The 'Tax receivables – Value Added Tax' balance of £8,312,000 mainly relates to VAT paid in the UK on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

Trade receivables balances are due within one year. Once an invoice is more than 90 days overdue, it is deemed more likely to default and as such, these invoices have been provided for in full as part of an expected credit loss model, except where Management have reviewed and judged otherwise.

The movement in the expected credit loss provision is shown below:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Balance at the beginning of the period	89	160
Impairment losses recognised	453	100
Amounts written off during the year as uncollectible	-14	-44
Impairment losses derecognised	-157	-
Amounts recovered during the year	-157	-127
Balance at the end of the period	**214**	**89**

The split by maturity of the clients' receivables is presented below:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Less than one month	970	5,818
Between one and three months	143	217
Between three months and one year	121	24,200
More than one year	24,251	44
Balance at the end of the period	**25,485**	**30,279**

23. PREPAYMENTS AND SHORT-TERM DEPOSITS

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Liquidity contract	51	61
Short-term deposits	183	12
Prepaid expenses	2,184	1,961
Total prepayments and short-term deposits	**2,418**	**2,034**

Prepaid expenses include the annual Group commercial insurance, rent, rates and prepaid support costs. In addition, 2022 prepaid expenses includes prepaid stock that had not been delivered at the reporting date.

24. CASH AND CASH EQUIVALENTS

The net cash available to the Group includes the following items:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Available cash	86,973	101,746
Total cash and cash equivalents	**86,973**	**101,746**

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term notice accounts with original maturities of three months or less, with a number of them earning interest.

The carrying amount of cash and cash equivalents approximates fair value.

25. LEASE LIABILITIES

The following tables show lease liabilities carried at amortised cost.

- Maturities

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Lease liabilities short-term	609	424
Lease liabilities long-term	263	1,446
Total lease liabilities	872	1,870

- Change in lease liabilities in 2022 and 2021

Amounts in £'000	Opening	Repayment	Non-cash movements	Closing
Changes in 2021	2,378	-610	102	1,870
Changes in 2022	1,870	-503	-495	872

The reduction in the total lease liability balance is predominantly as a result of Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley, which was agreed in 2022 and settled in early 2023.

26. RECONCILIATION OF THE MOVEMENTS OF THE BORROWINGS AND LEASE LIABILITIES WITH THE STATEMENT OF CASH-FLOWS

Repayment of borrowings and lease liabilities in 2022

Note 25 – Lease liabilities	£'000
Change in lease liabilities in 2022: repayment	-503
Total repayments in 2022 as per note 25	-503
Statement of cash flows for the year 2022	
Cash used in financing activities: repayment of lease liabilities	-503
Total repayments as per the statement of cash flows	-503

Repayment of borrowings and lease liabilities in 2021

Note 25 – Lease liabilities	£'000
Change in lease liabilities in 2021: repayment	-610
Total repayments in 2021 as per note 25	-610
Statement of cash flows for the year 2021	
Cash used in financing activities: repayment of lease liabilities	-610
Total repayments as per the statement of cash flows	-610

27. CONTINGENT CONSIDERATION

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Contingent consideration short-term	-	836
Total contingent consideration	**-**	**836**

The final tranche of the contingent consideration relating to the acquisition of IT-IS International was settled during 2022. No further liabilities exist at 31 December 2022.

28. TAX RECEIVABLES

The main items making up the 2022 tax receivable balance of £1,149,000 relates to research and development expenditure credits and carried back corporation tax losses.

The main item that made up the corporation tax receivable balance at 31 December 2021 related to an overpayment of 2020 corporation tax totalling approximately £4,225,000, which HMRC repaid in March 2022.

29. PROVISIONS

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2022 to 31 December 2022:

Amounts in £'000	At 1 January 2022	Increase	Reduction	Other movements	Reclass	At 31 December 2022
Provisions for restoration of premises	308	–	–	117	-330	95
Provisions long-term	**308**	**–**	**–**	**117**	**-330**	**95**
Provisions for restoration of premises	–	–	–	–	330	330
Provision for litigation	157	–	–	–	–	157
Provisions for product warranty	19,799	14	–	–	–	19,813
Provisions short-term	**19,956**	**14**	**–**	**–**	**330**	**20,300**

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2021 to 31 December 2021:

Amounts in £'000	At 1 January 2021	Increase	Reduction	Other movements	Change in exchange rates	At 31 December 2021
Provisions for restoration of premises	242	117	-67	16	–	308
Provisions long-term	**242**	**117**	**-67**	**16**	**–**	**308**
Provision for litigation	68	157	-65	–	-3	157
Provisions for product warranty	19,788	11	–	–	–	19,799
Provisions short-term	**19,856**	**168**	**-65**	**–**	**-3**	**19,956**

Provisions chiefly cover:
- Risks related to litigations;
- The restoration expenses of the premises as per the lease agreements; and
- Product assurance warranties.

The provisions for the restoration of the premises are an estimation of amounts payable to cover dilapidations at the end of the rental periods, thus at the following dates:
- Microgen Bioproducts Ltd: January 2023 (lease surrender date);

- Primer Design Ltd: May 2023 and November 2025 as there are two sites that do not have co-terminus leases;
- IT-IS International Ltd: December 2023 and September 2025, as there are two sites that do not have co-terminus leases.

The provision for product assurance warranties predominantly relates to the notification of a product warranty claim with the DHSC (see notes 44 and 45). Management have assessed the DHSC product warranty provision held at 31 December 2021 and have deemed that it is still appropriate at 31 December 2022.

30. TRADE AND OTHER LIABILITIES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Trade payables	278	1,363
Accrued invoices	2,035	3,534
Social security liabilities	455	954
Tax liabilities – Value Added Tax	6	115
Other liabilities	13	11,224
Total trade and other liabilities	**2,787**	**17,190**

Trade payables and accrued invoices have decreased in line with reduced sales.

Other liabilities have fallen as a result of settling all outstanding liabilities in relation to the 2017 to 2020 LTIP scheme during 2022.

31. OTHER CURRENT LIABILITIES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Deferred income and advance payments received from customers	540	498
Total other current liabilities	**540**	**498**

The balances above predominantly relate to customer payments in advance of receiving the products.

32. OTHER LIABILITIES LONG-TERM

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Share-based payment benefits – LTIP, long-term	50	-
Total other liabilities long-term	**50**	**-**

The 2022 other liabilities long-term balance relates to the 2022 to 2024 share-based LTIP scheme.

33. SHARE CAPITAL

As of 31 December 2022 and 2021, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

The Company's share capital consists of one class of share. All outstanding shares have been subscribed, called and paid.

	Amount of share capital £'000	Amount of share capital €'000	Unit value per share €	Number of shares issued
Balance at 1 January 2021	**4,053**	**4,708**	**0.07**	**70,626,248**
Balance at 31 December 2021	**4,053**	**4,708**	**0.07**	**70,626,248**
Balance at 31 December 2022	**4,053**	**4,708**	**0.07**	**70,626,248**

34. SHARE PREMIUM ACCOUNT

Amounts in £'000	
Balance at 1 January 2021	**50,671**
Balance at 31 December 2021	**50,671**
Balance at 31 December 2022	**50,671**

35. OTHER RESERVES

Amounts in £'000	
Balance at 1 January 2021	**-2,036**
Translation differences	862
Balance at 31 December 2021	**-1,174**
Translation differences	-843
Balance at 31 December 2022	**-2,017**

36. EQUITY RESERVE

Amounts in £'000	
Balance at 1 January 2021	**1,155**
Balance at 31 December 2021	**1,155**
Balance at 31 December 2022	**1,155**

This reserve represents the equity component of warrants and loans.

37. RETAINED EARNINGS/LOSSES

Amounts in £'000	
Balance at 1 January 2021	**96,916**
Loss for the year	-9,728
Balance at 31 December 2021	**87,188**
Loss for the year	-25,730
Adjustment of the LTIP contribution	-13
Balance at 31 December 2022	**61,445**

38. DISCONTINUED OPERATIONS

In early 2022, Novacyt commenced a strategic review of the business, which included a review of the Microgen Bioproducts and Lab21 Healthcare businesses to consider the merits of maintaining multiple company entities/names under the Novacyt Group umbrella versus a simplified business model and brand, which the directors believed could be more impactful.

In April 2022, Novacyt announced its intention to discontinue both businesses, and as at the end of June 2022 they had ceased day to day trading operations.

In accordance with IFRS 5, the net result of the Lab21 Products segment has been reported in the line 'Loss from discontinued operations' on the consolidated income statement.

The table below presents the detail of the loss generated by these two businesses as of 31 December 2022 and 2021:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Revenue	1,448	3,177
Cost of sales	-1,102	-1,725
Gross profit	**346**	**1,452**
Sales, marketing and distribution expenses	-320	-800
Research and development expenses	-22	-170
General and administrative expenses	-3,059	-2,474
Operating loss before exceptional items	**-3,055**	**-1,992**
Other operating expenses	-290	-1,887
Operating loss after exceptional items	**-3,345**	**-3,879**
Financial income	1,181	192
Financial expense	-953	-482
Loss before tax	**-3,117**	**-4,169**
Taxation (expense) / income	-412	450
Loss after tax from discontinued operations	**-3,529**	**-3,719**

39. NOTES TO THE CASH FLOW STATEMENT

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Loss for the year	**-25,730**	**-9,728**
Loss from discontinued operations	*-3,529*	*-3,719*
Loss from continuing operations	*-22,201*	*-6,009*
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	7,918	7,882
Unwinding of discount on contingent consideration	133	-17
Losses on disposal of assets	543	75
Surrendering the Watchmoor Point lease (non-cash impact)	281	-
Income tax charge / (credit)	1,998	-409
Operating cash flows before movements of working capital	**-14,857**	**-2,197**
Decrease in inventories (*)	8,434	18,427
Decrease in receivables	4,625	42,754
Decrease in payables	-15,624	-23,996
Cash (used in) / from operations	**-17,422**	**34,988**
Income taxes received / (paid)	4,223	-19,437
Finance costs	-530	138
Net cash (used in) / from operating activities	**-13,729**	**15,689**
Operating cash flows from discontinued operations	*-1,955*	*2,180*
Operating cash flows from continuing operations	*-11,774*	*13,509*

(*) The variation of the inventories value results from the following movements:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Decrease in the gross value of inventories	15,743	2,392
Variation of the stock provision	-7,309	16,035
Total variation of the net value of inventories	**8,434**	**18,427**

The details for the change in the stock provision are covered in notes 7, 8 and 21.

40. LEASES

In application of IFRS 16, the Group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities**.**

Novacyt SA

Novacyt SA rents a small office in Vélizy, on a rolling 12-month basis.

Primer Design Ltd

The York House leased premises is used for office, storage and laboratory purposes. The annual charge for the site (with service charges) is now £311,584 per annum, with all leases running to November 2025.

In November 2020, the company took out a new lease at a nearby site 'Unit A', primarily for storage purposes. The annual charge for the site (with service charges) is now £146,750 per annum, with the lease running to May 2023.

Microgen Bioproducts Ltd

The Watchmoor Point leased premises had a mixed use for office, storage and laboratory purposes. This commenced in May 2017 and would have run until May 2032. There were rent review clauses in May 2022 and 2027. The annual charge for the site was £175,643 per annum (including service charges). This lease was surrendered in January 2023.

IT-IS International Ltd

Units 1, 3 and 4 Wainstones Court leased premises have a mixed use for office, storage and production purposes. This commenced in October 2022 and will run until September 2025. The annual charge for the site is £31,500 per annum (including service charges).

In December 2020, the company took out a new lease at a nearby site 'MMC House', for mixed use of office, storage and production purposes. The lease runs to December 2023 with an annual charge of £60,000.

In September 2020, the company took out a 12-month lease at a nearby site 'Pulrose House' for production purposes. The annual charge for the site was £17,000 per annum. The lease was not renewed after the initial 12-month period.

The table below presents the impact of the leases in the consolidated income and cash flow statements of the financial years 2022 and 2021:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Cash outflows for leases accounted for as per IFRS 16	503	610
Expenses related to short-term and low-value leases	530	445
Total cash outflows for leases	**1,033**	**1,055**

41. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of debt and equity balances. The Group's overall strategy is to ensure there is sufficient working capital to optimise the performance of the business.

The capital structure of the Group consists of net debt (comprising debt less cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings in notes 33 to 37).

The Group is not subject to any externally imposed capital requirements.

The Group is focused on cash management and this is reviewed on a regular basis by the Group Finance Director and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the Chief Financial Officer and the Chief Executive Officer.

Gearing ratio

The gearing ratio at the year end is as follows:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Debt (lease liabilities)	872	1,870
Cash and cash equivalents	86,973	101,746
Net (cash) / debt	**-86,101**	**-99,876**
Equity	**115,216**	**141,815**
Net (cash) / debt to equity ratio	**-75%**	**-70%**

Debt is defined as long-term and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts) as detailed in notes 25 and 26.

For both years, 2022 and 2021, debt in the table above relates to IFRS 16 lease liabilities.

Equity includes all capital, premiums and reserves of the Group that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Financial assets		
Cash and cash equivalents	86,973	101,746
Short term investments and receivables	25,359	30,439
Financial liabilities		
Fair value through profit and loss	-	836
Amortised cost	3,710	17,991

Financial risk management objectives

The Group's finance function is responsible for managing the financial risks relating to the running of the business. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

If a material risk is identified then the Group would look to mitigate that risk through the appropriate measure, such as hedging against currency fluctuations.

The Group does not use complex derivative financial instruments to reduce its economic risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

There has been no change to the Group's exposure to market risks or the way these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are not managed utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets and liabilities denominated in EUR		Assets and liabilities denominated in USD	
Amounts in £'000	**Year ended 31 December 2022**	Year ended 31 December 2021	**Year ended 31 December 2022**	Year ended 31 December 2021
Assets	17,395	15,028	5,151	9,100
Liabilities	-2,063	-1,419	-8	-39
Net Exposure	15,332	13,609	5,143	9,061

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in GBP against the relevant foreign currencies. 5% represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity.

	Net Assets and Liabilities	
Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
EUR	15,332	13,609
Conversion rate	1.12932	1.19107
Impact GBP strengthening: FX + 5%	-730	-648
Impact GBP weakening: FX - 5%	807	716
USD	5,143	9,061
Conversion rate	1.20582	1.34894
Impact GBP strengthening: FX + 5%	-245	-431
Impact GBP weakening: FX - 5%	271	477

	Income Statement	
Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
EUR	1,932	6,854
Conversion rate	1.17319	1,16307
Impact GBP strengthening: FX + 5%	-161	-169
Impact GBP weakening: FX - 5%	26	534
USD	3,020	5,871
Conversion rate	1.23697	1.37566
Impact GBP strengthening: FX + 5%	-216	-392
Impact GBP weakening: FX - 5%	79	185

Interest rate risk management

The Group is debt free and therefore it is not exposed to significant interest rate risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers' risk levels. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group uses debt collection agencies and government-backed schemes to collect difficult aged debts as a last resort.

Trade receivables generally consists of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of the financial assets recorded in the historical financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Reliance on major customers and concentration risk

In 2022 the Group was not dependent on one particular customer and there were no customers generating sales accounting for over 10% of revenue.

In 2021 Primer Design's revenue included approximately £9,702,000 from sales to the Group's largest customer. No other customers contributed 10% or more to the Group's revenue in 2021.

94% of trade receivables are with one counterparty, with whom there is a contract dispute as disclosed in note 44. Management considers it to be more likely than not that the 31 December 2022 balances are recoverable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2022							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	1.2	634	63	231	315	–	1,243
31 December 2021							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	1.2	1,408	91	11,638	1,086	859	15,082

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including any interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total
	%	£'000	£'000	£'000	£'000	£'000
31 December 2022						
Non-interest bearing	–	8	1,040	112	24,393	25,553
Variable interest rate instruments	0.7	86,973	–	–	–	86,973
31 December 2021						
Non-interest bearing	–	5,737	278	24,296	188	30,499
Variable interest rate instruments	0.1	101,746	–	–	–	101,746

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/22	31/12/21				
1) Contingent consideration in relation to the IT-IS International acquisition (current and non-current portion)	-	836	2	Payment made in September 2021 and October 2022. Estimated according to the probability of payment.		

Fair value measurements recognised in the statement of financial position

	Year ended 31 December 2022			
Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Debts from the acquisition of shares	–	–	–	–
Total liabilities at FVTPL	**–**	**–**	**–**	**–**

	Year ended 31 December 2021			
Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Debts from the acquisition of shares	–	836	–	836
Total liabilities at FVTPL	**–**	**836**	**–**	**836**

There were no transfers between Levels during the current or prior year.

The table above only shows the fair value of the financial liabilities as the fair value of the applicable financial assets are not materially different from their carrying value.

Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

There are no financial liabilities in the statement of financial position at 31 December 2022 or 31 December 2021 that are not measured at fair value but for which fair value must be disclosed.

42. RELATED PARTIES

Parties related to Novacyt SA are:

- the managers, whose compensation is disclosed below; and
- the Directors of Novacyt SA.

Remuneration of key management personnel

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fixed compensation and company cars	1,605	2,176
Variable compensation	15	590
Social security contributions	224	412
Contributions to supplementary pension plans	26	48
Termination benefits	-	371
Cash based payment benefits – LTIP	17	-
Total remuneration	**1,887**	**3,597**

Aggregate Directors' remuneration

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fixed compensation and company cars	988	897
Variable compensation	-	350
Social security contributions	155	181
Contributions to supplementary pension plans	-	11
Fees	38	32
Total remuneration	**1,181**	**1,471**

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

43. AUDIT FEES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fees payable to the Company's Auditor and its associates in respect of the audit		
Group audit of these financial statements	67	103
Audit of the Company's subsidiaries' financial statements	200	260
Total audit remuneration	**267**	**363**
Fees payable to the Company's Auditor and its associates in respect of non-audit-related services		
Audit-related assurance services	-	-
All other services	-	5
Total non-audit-related remuneration	**-**	**5**

Estimated 2021 audit fees were over accrued, this reversed in 2022.

44.CONTINGENT LIABILITIES

During 2021, the Group received notification of a contract dispute between its subsidiary, Primer Design Ltd, and the DHSC related to revenue totalling £129,125,000 in respect of performance obligations satisfied during the financial year to 31 December 2020.

During 2021, a further £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which have subsequently been included as part of the ongoing dispute. Management made the judgement that in accordance with IFRS 15, Revenue from Contracts with Customers, it was not appropriate at that stage in the dispute to recognise as revenue, any sales invoices raised to the customer in 2021 that were in dispute. However, Management remains committed to obtaining payment for these goods and services.

Payment for £23,957,000 of invoices in respect of products delivered during 2020 remains outstanding at the date of publishing the annual accounts and recovery of the debt is dependent on the outcome of the dispute.

On 25 April 2022, legal proceedings were issued against Novacyt and Primer Design Ltd in respect of amounts paid to Primer Design Ltd totalling £134,635,000 (including VAT) by the DHSC. This refers to £132,814,000 (including VAT) of reagent sales out of a total disputed amount of £154,950,000 (£129,125,000 excluding VAT as previously reported) plus £1,821,000 (£1,517,000 excluding VAT) of q16 instruments which have been added to the dispute. This takes the total 2020 revenue in dispute to £130,642,000.

On 15 June 2022, Novacyt and Primer Design Ltd filed a defence of the claim received on 25 April 2022, and Primer Design Ltd made a counterclaim of circa £81,500,000 including interest and VAT against the DHSC.

The Group remains committed to defending the case and asserting its contractual rights, including recovering outstanding sums due from the DHSC.

Management have reviewed the position at 31 December 2022 and deem this to be an appropriate reflection of the current commercial dispute.

Management and the Board of Directors have reviewed the product warranty provision totalling £19,753,000 booked in 2020 in relation to the DHSC dispute and have deemed that it remains appropriate at 31 December 2022.

45. SUBSEQUENT EVENTS

On 30 January 2023, Novacyt announced that the UK High Court had directed Novacyt, that the hearing of the case between Primer Design Ltd / Novacyt SA and the DHSC has been listed to commence on 10 June 2024 and is expected to last 16 days.

Company Information

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Company Secretary	James McCarthy
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Joint Broker	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
French Listing Sponsor	**Allegra Finance** 213 Boulevard Saint-Germain 75007 Paris France
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